

SMEs in India

Fuelling the Next Phase of Growth

B2K Analytics

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Introduction

Over the past few decades, the Micro, Small, and Medium Enterprises (MSME) sector has become one of the most dynamic and vital components of the Indian economy. By producing a wide range of goods for both domestic consumption and export, MSMEs have significantly contributed to the growth and diversification of various industries. To further support their development, the government is actively encouraging MSMEs to market their products through e-commerce platforms particularly the Government e-Marketplace (GeM), a government-owned portal used by Ministries and Public Sector Undertakings (PSUs) for procurement.

In India, MSME sector accounts for around 30% of the GDP, and plays a key role in exports and manufacturing output, each comprising about 45%. Additionally, the sector is a major source of employment, providing livelihoods to over 251.8 million people across the country.

Evolution of MSME Classification in India

| Evolution of MSME Classification in India - Simplified Criteria Over time | | | | | | |
|---|----------------------|------------|-----------------------------|-------------|--------------------------------|-------------|
| Year | Before 2020 | | June 2022 Revision | | April 2025 Revision | |
| Category | Investment | | Investment | Turnover | Investment | Turnover |
| | Manufacturing | Service | Manufacturing & Service | | Manufacturing & Service | |
| Micro | Rs. 25 Lac | Rs. 10 Lac | Rs. 1 Cr. | Rs. 5 Cr. | Rs. 2.5 Cr. | Rs. 10 Cr. |
| Small | Rs. 5 Cr. | Rs. 2 Cr. | Rs. 10 Cr. | Rs. 50 Cr. | Rs. 25 Cr. | Rs. 100 Cr. |
| Medium | Rs. 10 Cr. | Rs. 5 Cr. | Rs. 50 Cr. | Rs. 250 Cr. | Rs. 125 Cr. | Rs. 500 Cr. |
| Changes | No Turnover Criteria | | Unified Criteria + Turnover | | Significantly Increased Limits | |

Source: Ministry of MSME, B2K Analytics

The concept of MSMEs is not new; it was formally established under the Micro, Small and Medium Enterprises Development (MSMED) Act of 2006, aimed at promoting and enhancing the growth and competitiveness of these enterprises. Initially, MSMEs were classified separately for the manufacturing and service sectors, based solely on their investment in plant, machinery, or equipment. However, in 2020, the classification criteria were revised to incorporate both investment and turnover, creating a unified definition across sectors. This reform raised turnover limits, simplified regulatory compliance, and enabled a broader range of enterprises to access government incentives, thereby encouraging growth and innovation.

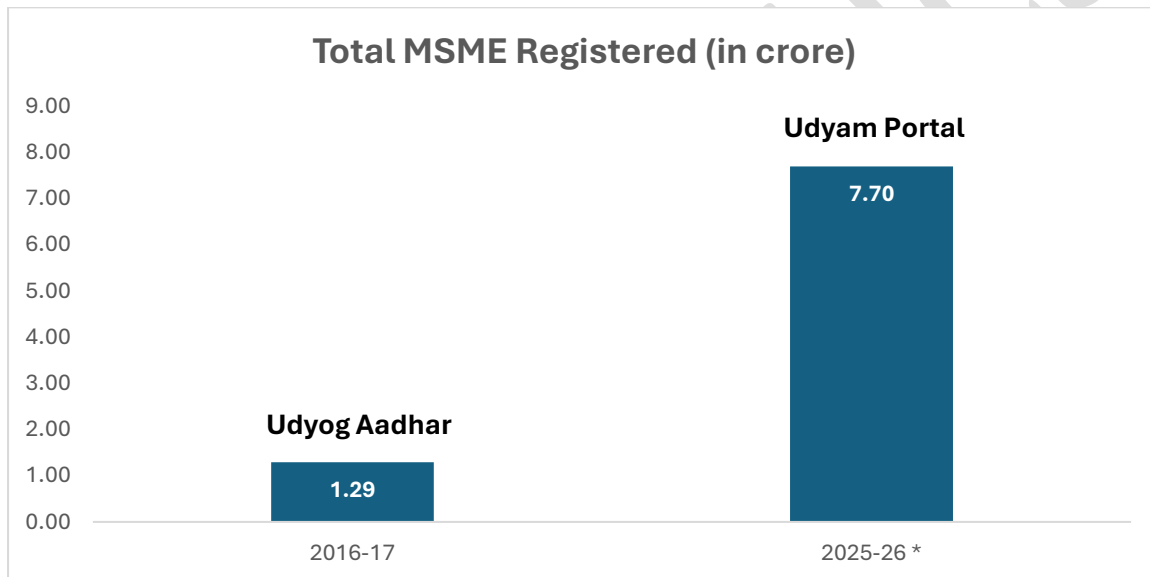
Further updates were introduced in 2025 reflect the evolving market landscape, with significant increases in investment and turnover thresholds. As of April 1, 2025, MSMEs are classified using a composite criterion based on both investment in plant and machinery/equipment and annual turnover, ensuring alignment with current industry dynamics and supporting sustainable enterprise development. In parallel, the Reserve Bank of India (RBI) has issued revised Master Directions on Priority Sector

Lending (PSL), effective from April 1, 2025, incorporating strengthened monitoring mechanisms. The priority sectors continue to include agriculture, MSMEs, export credit, education, housing, social infrastructure, and renewable energy.

Formalisation of MSMEs: Well Ahead of the 2028 Target

Government has launched the online Udyam Registration Portal on 1st July 2020 which has become the central, digital backbone for formalising small businesses.

MSME formalisation efforts have resulted in expanding the registration base from 1.29 crore MSMEs in Udyog Aadhar during 2017 to more than 7.0 crore in Udyam Portal by 2025. This translates to stupendous rise in formalisation of MSMEs already crossing the Ministry of MSMEs projected target of 7.5 crore by 2028. As of February 2026, more than 7.7 crore MSMEs have registered and become eligible for availing the benefits of the Government Schemes, including access to formal credit, government schemes and procurement opportunities.



*As of February 18, 2026

Note: Udyam Portal was officially launched in June 2020 that replaced the earlier Udyog Aadhar portal (introduced in September 2015). Udyam Assist Platform launched on 11 Jan 2023. For cumulative data, MSME (Udyam) Registration Including Udyam Assist Platform (UAP) is considered.

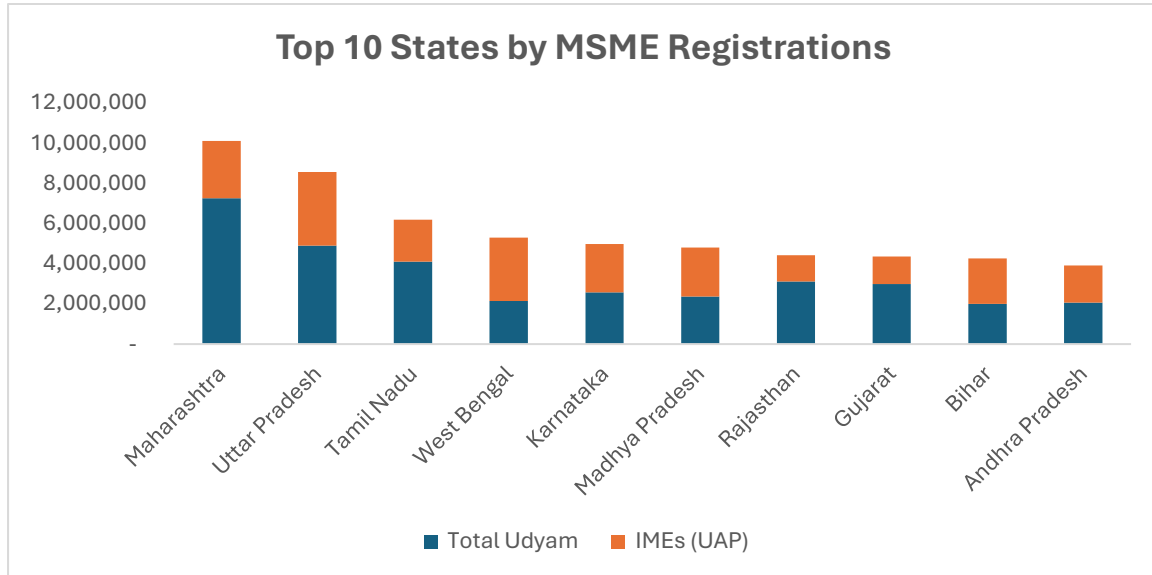
Source: Udyam Portal & Udyog Aadhar, B2K Analytics

Prior to the introduction of the Goods and Services Tax (GST) and Udyam registration portal, majority of the MSMEs operating informally, lacking the required documentation for formal credit. While these reforms have driven a majority of the enterprises towards some level of formalisation, many still lack important documentation and face issues in accessing formal credit.

Following the introduction and growing adoption of the Udyog Aadhaar Memorandum (UAM) system and later the Udyam Registration portal, annual registrations have seen substantial jump. The registrations have increased from 33.4 lakh in FY2016 to more than 2.5 crore by FY2025. Although FY2021 recorded a temporary decline due to the economic disruptions caused by the COVID-19 pandemic, but the introduction of the updated Udyam framework contributed to renewed momentum in subsequent years.

Cumulatively, MSME registrations have expanded dramatically and reached 2.5 crore as of 31st July 2024.. As of 18 February 2026, the Udyam portal has recorded 7.75 crore MSME registrations. This strong growth highlights the increasing formalisation of small businesses and the expanding contribution of MSMEs to economic activity across the country.

State-wise MSMEs



IMEs (UAP): informal Micro Enterprises (Udyam Assist Platform)

Note: Data as of 25th Feb 2026

Source: Ministry Of Micro, Small & Medium Enterprises

As of February 2026, Maharashtra holds the distinction of having the highest number of MSMEs, with total crossing 11 crore registered units accounting for ~13% of the total in India. This strong lead is reflective of the state’s diversified industrial base, widespread urbanisation, and mature infrastructure, especially in economic hubs like Mumbai, Pune, and Nashik. Maharashtra’s proactive state policies, ease of doing business, and access to finance and skilled labour have further propelled its dominance in the MSME sector.

Uttar Pradesh occupies the second place with 85.7 lakh MSMEs, highlighting the state’s rapid strides in promoting entrepreneurship, especially among rural and semi-urban populations. Uttar Pradesh benefits from its traditional strengths in handicrafts, leather, textiles, and metalwork, with key clusters in cities like Moradabad, Kanpur, Varanasi, and Agra. Government-led initiatives such as “One District One Product (ODOP)” have also helped channel focused support to regional industries, driving growth in the sector.

Tamil Nadu holds the third position with 61.9 lakh MSMEs, owing to its well-developed manufacturing and engineering industries. The state is known for its automotive, textile, and electronics clusters, with a significant presence of MSMEs in both urban and rural regions. It also boasts a strong culture of industrial entrepreneurship and favourable logistics connectivity through ports and industrial corridors.

States such as West Bengal (52.7 lakh) and Karnataka (49.7 lakh) follow, each with distinct industrial strengths. West Bengal’s MSME sector is traditionally dominated by textiles, jute, leather, and agro-based industries, while Karnataka has seen a surge in technology-driven MSMEs in areas such as

software services, electronics, and biotech, especially around Bengaluru. Notably, Karnataka’s startup ecosystem complements its MSME landscape, encouraging innovation and small-scale enterprise development.

Madhya Pradesh (48.1 lakh) and Rajasthan (44.2 lakh) reflect the growing MSME activity in central and western India, driven by agro-processing, handicrafts, minerals, and engineering goods. Gujarat (43.5 lakh), long known for its vibrant industrial spirit, has a strong MSME base in textiles, chemicals, and machinery, supported by industrial parks and business-friendly policies.

Interestingly, Bihar (42.5 lakh) also features in the top ten, despite being relatively less industrialised. Its large informal sector and growing support for local entrepreneurship, especially through self-help groups and microfinance, contribute to its high MSME count. Andhra Pradesh (39.1 lakh) rounds off the list, with MSMEs thriving in sectors like aqua products, textiles, electronics, and food processing.

This data reveals a geographically balanced spread of MSMEs across India and shows that while urban centres and industrial corridors continue to drive MSME expansion, rural and semi-urban regions also emerging as key players in India’s entrepreneurial environment. Moreover, the sheer volume of MSMEs reflects their critical role in employment generation, regional economic development, and inclusive growth.

Looking ahead, as the government continues to enhance formalisation (via Udyam registration), trying to improve access to credit, and support digital adoption, these numbers are likely to grow further solidifying MSMEs in the Indian economy.

Examples for the clusters in India in different segments

| Cluster in Manufacturing Sector in India SME | | |
|--|--|--|
| Sub segment | Description | Examples |
| Agro-based industries | Units processing agricultural produce into finished goods. | Sugarcane to jaggery in Punjab, spice processing in Kerala. |
| Food Processing | Enterprises converting raw agricultural produce into value added products, reducing wastage. | Pickle making units in Meerut, fruit processing units in Maharashtra producing jams and preserves. |
| Handicrafts & Handlooms | Preserving traditional art forms while providing livelihoods artisans. | Embroidery in Lucknow, pottery in Jaipur, wooden toys, and metal crafts. |
| Textiles & Apparel | Small scale units produce traditional and modern fashion wear. | Power loom units in Coimbatore produce high-quality fabrics for global markets. |
| Traditional Industries | Promoting sustainable living through eco-friendly materials and techniques. | Khadi and village industries offering rural employment opportunity. |
| Gems & Jewellery | Globally renowned clusters exporting exquisite jewellery pieces. | Jewellery making units in Surat and Jaipur showcasing craftsmanship for international markets. |
| Consumer Goods | Diverse products catering to domestic needs and exports | Leather goods, plastic products, ready-made garments, soap, detergents, furniture, and utensils. |

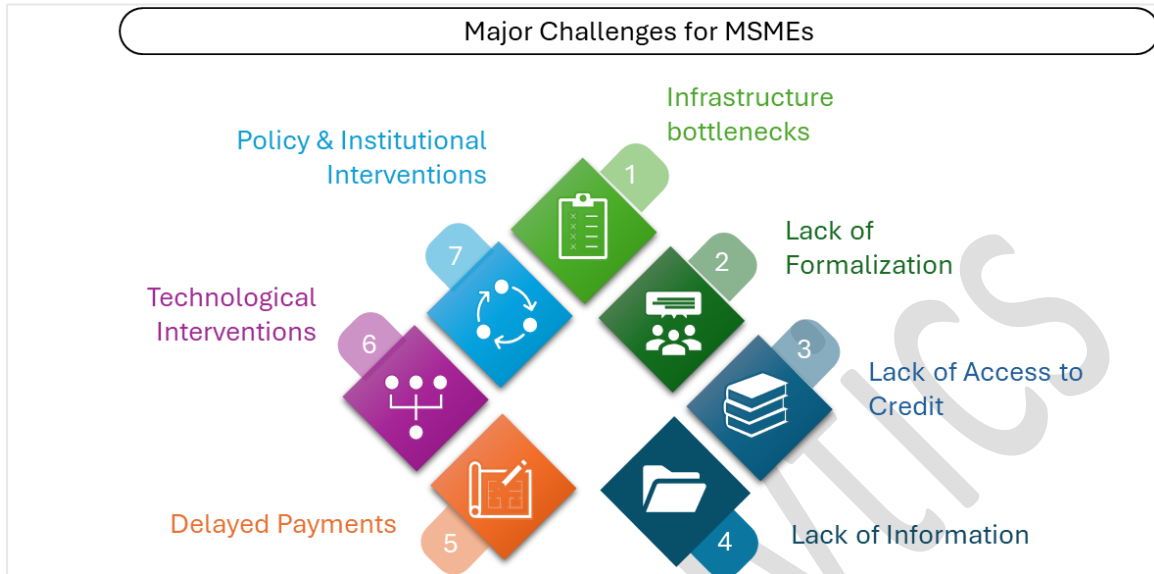
Source: B2K Analytics

| Cluster in Service Sector in India SME | | |
|--|--|--|
| Sub segment | Description | Examples |
| E-commerce enablers | Enterprises provide niche products and personalised customer engagement for online platforms. | MSMEs sell unique products on e-commerce platforms, enhancing customer satisfaction. |
| Healthcare Service | Small clinics, pathology labs and wellness centres providing grassroots healthcare service. | Ayurvedic wellness centres in Kerala after traditional healing practices to locals and tourists. |
| Education & Training | Coaching centres vocational training institutes and online education platforms catering to diverse learning needs. | Institutes preparing students for exams or upskilling workers for the job market. |
| Information Technology Service | MSMEs offering web design, software development and IT support services. | Small software firms in Bangalore developing mobile apps and web platforms. |
| Logistics & Transportation | Courier services, local transport operations, and small freight companies ensuring smooth goods movements. | Small freight operations connecting remote areas to mainstream markets across India. |

Source: B2K Analytics

Challenges for SMEs in India

In India, MSMEs have multiple challenges in their way but one of the major ones which this report is trying to address is the access to credit.



Source: Niti Ayog, RBI, Ministry of MSME, B2K Analytics

Obstacles in Access to Credit

Indian banks are hesitant to finance small enterprises due to reasons such as these firms' inability to provide collateral, high levels of nonperforming assets, high transaction costs, and difficulties in verifying the creditworthiness of applicants. Along with this, the financial services that banks offer are often insufficient to meet the needs of early-stage SMEs in India. Despite various government schemes, many small businesses struggle to secure SME loans due to stringent eligibility criteria, lack of collateral, and high interest rates. Limited access to financing often hampers their ability to scale operations, invest in new technology, or manage working capital. Banks and financial institutions often perceive MSMEs as high-risk borrowers due to their limited financial history and inconsistent cash flows. This perception further complicates their credit accessibility.

Without formal credit, MSMEs can't scale, invest in better machinery, or manage cash-flow effectively. Informal credit is risky, often expensive, and unreliable.

Information Asymmetry

Limited awareness of market trends, lack of technical knowledge for product diversification, and the high investment cost required in machinery, skilling, and marketing discourage MSMEs from diversifying. India's MSMEs have been unable to establish a distinct brand value, internationalise their products and establish themselves as important players in the value chain. Excessive costs of product development, lack of effective selling techniques, unsophisticated marketing, lack of market research, and lack of funds for implementing expensive software, projects themselves as major barriers to SME competitiveness.

Barriers to Formalisation

Many micro-units operate at subsistence levels, viewing formalisation as risky amid uncertain labour code implementation. Informal SMEs often lack the credit history, collateral, and formal documentation required for loans, trapping them in a vicious cycle. Formalisation is essential to access finance, yet achieving it remains challenging without initial credit support. Several MSMEs, mainly **Informal Micro Enterprises** (IMEs), remain unregistered due to various barriers. To help IMEs formalise, an 'Assist Methodology' is proposed. Designated Agencies (DAs) like banks, NBFCs, and MFIs will assist IMEs in registration. The central URN will play a key role in MSME formalisation, making Udyam-registered IMEs eligible for priority sector loans and facilitating digitalisation (MSME Formalisation project, 2023).

The Udyam Registration Portal (URP) by the Ministry of MSME, Govt. of India, facilitates online MSME registration and provides Unique Registration Numbers (URN) and Udyam Assist Certificates (UAC). **URN is crucial for MSMEs to access priority sector lending.**

Delayed Payments

The Ministry of MSME is addressing the delayed payments issue by collaborating with state governments through the MSME Samadhaan portal and Micro and Small Enterprise Facilitation Councils (MSEFCs), established by states under the MSMED Act 2006. MSMEs also face NPA challenges, as RBI's classification criteria (principal or interest payment remained overdue for 90 days) doesn't align with the sector's working capital cycle despite proposals for a 180-day extension. Extending the classification period to 180 days, which takes into consideration the enterprise's payment abilities and allows restructuring without downgrading accounts, can provide breathing space for MSMEs.

Infrastructure Bottlenecks

Inadequate infrastructure support in developing countries such as India, hinders MSME growth prospects. In India, inadequate infrastructure support is one of the major non-financial barriers faced by MSMEs. Furthermore, many MSMEs in rural and semi-urban areas still face a lack of essential infrastructure such as power, roads, and communication services, which hinders their efficiency and overall development. Inadequate infrastructure is one of the key reasons why MSMEs in India, despite being competitive have failed to establish themselves in the global market. They continue to face bottlenecks due to a lack of adequate transportation facilities like railways, waterways, roadways and airways, high cost of transportation, poor public transport, low/no access to a reliable power supply, poor drainage systems, lack of proper communication channels, lack of appropriate storage facilities, inadequate marketing facilities, lack of funds, and so on.

Poor transportation networks, irregular electricity supply, and lack of modern facilities affect their productivity and operational efficiency. Rural MSMEs, in particular face difficulties in accessing basic infrastructure, which limits their market reach and growth potential. To combat this, collaborative efforts between the government and private sectors are essential. Developing dedicated MSME parks, improving rural connectivity, and ensuring uninterrupted utilities can significantly enhance their operational capabilities. Infrastructure development will empower MSMEs to compete on a global scale and contribute more effectively to India's economic growth.

Technological Interventions

Smaller firms often rely on domestic sources for technology, with only a small fraction sourcing from abroad or collaborators. Several issues impeding technology innovation implementation in Northern India's small firms, such as inadequate human resource management, difficulty in acquiring affordable raw materials, and unreliable power supply. Unlike their counterparts in developed economies, these factors limit SMEs' access to international technology and innovation.

In the era of digital transformation, many MSMEs face difficulties in adopting modern technologies. Limited financial resources, lack of skilled manpower, and resistance to change are significant barriers. This technological lag prevents them from achieving operational efficiency, accessing new markets, and leveraging data-driven insights.

Digital literacy programs, subsidies for technology adoption, and partnerships with tech companies can help overcome these challenges of MSMEs. Embracing digital tools and platforms will not only enhance productivity but also open new avenues for growth and innovation.

Policy & Institutional Interventions

MSMEs face significant challenges in complying with complex regulatory frameworks such as taxation laws, labour regulations, and environmental norms often consumes considerable time and resources. For small businesses with limited manpower, these obligations can divert focus from core operations.

Streamlining regulatory processes, simplifying tax filing systems, and offering compliance support can alleviate these burdens. Many Government initiatives have been steps in the right direction, but further simplification is needed to make them more MSME-friendly.

Financing MSMEs in India

The number of MSMEs registered on the Udyam portal has risen to more than 7 crore in 2025. This surge in MSMEs has drawn experts' attention, particularly regarding how these enterprises will access the necessary financial support. As the sector continues to expand, ensuring adequate funding becomes increasingly critical.

Access to finance has long been a major challenge for MSMEs in India, as is the case in many other emerging and developing economies. Despite the RBI's policies mandating that banks allocate a portion of their lending to priority sectors including MSMEs, persistent issues such as information asymmetry, inadequate risk assessment frameworks, and limited use of advanced credit evaluation technologies continue to hinder the flow of credit. These challenges are even more pronounced in rural areas, where financial infrastructure and digital penetration remain limited.

Information asymmetry, coupled with a lack of expertise and technological capability to leverage external, market, and contextual data in a regulatory-compliant manner, remains a significant barrier. As a result, outdated credit models relying heavily on traditional data and rigid, rule-based decision-making continue to dominate. Priority Sector Lending (PSL) has not kept pace with technological innovations, leading to less accurate credit assessments and a higher perceived risk of default. This, in turn, constrains the flow of capital, as lenders are required to maintain higher provisions against potential losses.

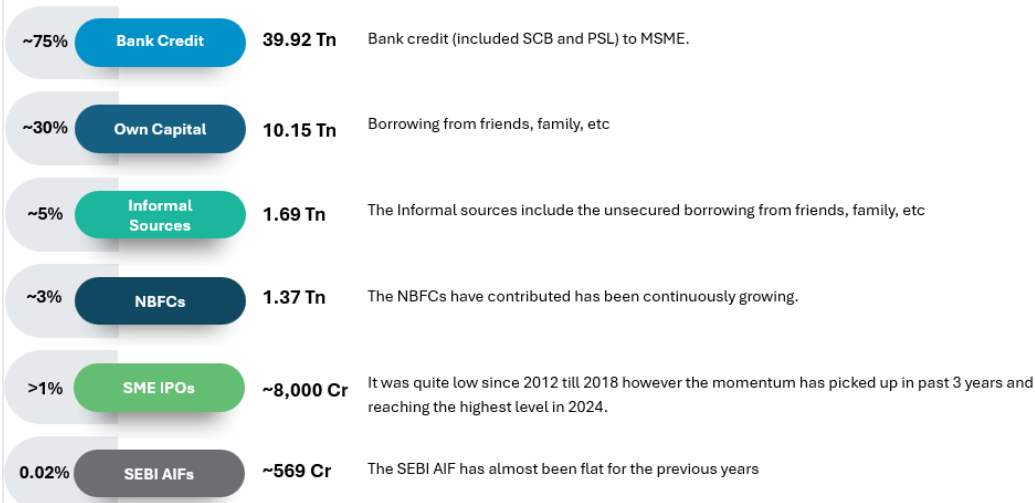
In India, SME financing is facilitated through a diverse mix of channels that cater to various business needs and stages of growth:

- Traditional bank financing, including working capital loans, term loans, overdrafts, and bill discounting.
- Capital market instruments, such as SME IPOs through BSE and NSE platform though these remain relatively underutilised.
- Government-backed schemes, including the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for collateral-free loans, MUDRA loans under the Pradhan Mantri Mudra Yojana (PMMY), SIDBI refinancing support, and the Stand-Up India scheme.
- Alternative financing options, such as gold loans, microfinance, leasing, supply chain finance, and venture debt.
- Digital and fintech-driven solutions, including instant lending platforms, peer-to-peer (P2P) lending, invoice discounting through TReDS, and credit based on GST/GSTR filings.
- Export-oriented financing, supported by institutions like EXIM Bank, ECGC, buyer's credit mechanisms, and foreign currency loans for international trade.

Collectively, these channels provide SMEs with access to capital for working capital needs, business expansion, and international operations.

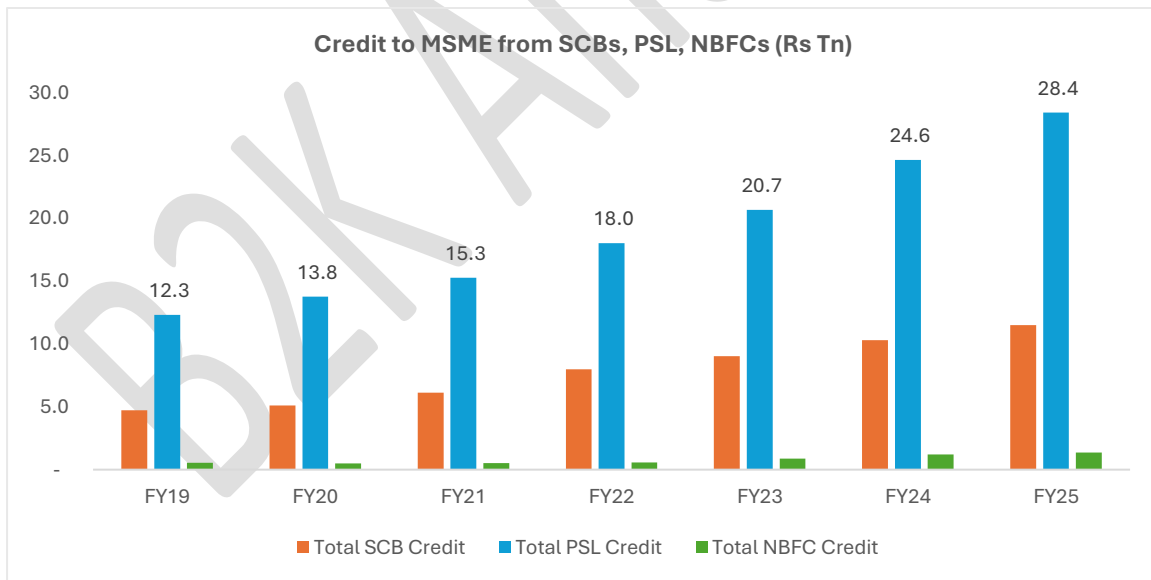
Scheduled Commercial Banks (SCBs) remain the primary source of credit for Micro and Small Enterprises (MSEs), followed by Non-Banking Financial Companies (NBFCs), which are steadily increasing their market share. Still capital market participation remains minimal. SME IPOs contribute less than 1% of total SME financing nationwide, highlighting the untapped potential of equity-based funding for small businesses.

MSME Finance Breakup 2024 - 25



Banking Route – 70% of Formal Credit through PSL

While the banking sector particularly Scheduled Commercial Banks (SCBs) and Non-Banking Financial Companies (NBFCs) commands a significant share of MSME lending, it is important to recognise that SMEs continue to face considerable challenges in accessing formal bank credit. Unlike larger firms, many SMEs still rely heavily on internal funds or informal sources such as friends and family to start and sustain their operations.



Several key barriers contribute to this limited access to bank finance:

- Difficulty in providing acceptable collateral
- High interest rates and unfavourable macroeconomic conditions
- Complex loan application processes and extended turnaround times
- Cumbersome documentation requirements
- Technological barriers and lack of financial literacy
- Poor record-keeping and absence of audited financial statements, especially in informal enterprises

Due to these constraints, a large segment of the unorganised sector continues to depend on informal financial channels, which, though more accessible, come at a significantly higher cost. Improving access to affordable and timely finance is essential for enabling entrepreneurship, supporting MSME growth, and driving rural industrialisation across the country.

The formal credit to MSMEs has been steadily increasing due to regulatory and government focus towards the need for credit access. The total credit (SCB+ PSL+ NBFC) to MSMEs have historically grown at 15% CAGR over the last 7 years. Even such a growth is likely to be outpaced by the funding needs of the faster growing MSME sector in the next 5 years i.e. by 2030 when the MSME share to GDP will increase by 40%. Mismatched growth will lead to higher funding gap by 2030. MSME has been able to access more funds through the PSL scheme.

SCBs Credit to MSMEs in India

The data shows two distinct phases: an initial period of stagnation followed by strong and sustained growth. Between FY15 and FY19, total SCBs credit declined marginally from Rs 5.05 tn in FY15 Tn to Rs 4.72 Tn in FY19, reflecting subdued lending conditions. However, from FY20 onwards, a clear recovery trend is visible, with total credit more than doubling from Rs 5.12 Tn in FY20 to Rs 11.62 Tn in FY25, highlighting improved credit flow to the MSME sector and stronger banking support.

| Outstanding Credit of Scheduled Commercial Banks (Rs Tn) | | | |
|--|---------------|--------|------------|
| Year | Micro & small | Medium | Total SCBs |
| FY15 | 3.80 | 1.25 | 5.05 |
| FY16 | 3.71 | 1.15 | 4.86 |
| FY17 | 3.70 | 1.05 | 4.75 |
| FY18 | 3.73 | 1.04 | 4.77 |
| FY19 | 3.71 | 1.01 | 4.72 |
| FY20 | 4.03 | 1.09 | 5.12 |
| FY21 | 4.56 | 1.56 | 6.12 |
| FY22 | 5.60 | 2.39 | 7.99 |
| FY23 | 6.33 | 2.68 | 9.02 |
| FY24 | 7.33 | 3.06 | 10.40 |
| FY25 | 7.98 | 3.63 | 11.62 |

Source: CMIE, B2K Analytics

Micro & Small Enterprises: Outstanding credit to MSEs showed a mixed trend over the last decade. From FY15 to FY19, bank lending to this segment remained largely stagnant and slightly declined from Rs 3.80 Tn in FY15 to Rs 3.71 Tn in FY19. During this phase, banks were more cautious in giving loans because the MSME sector was facing financial stress and non-performing assets (NPAs) were increasing. As a result, lending growth remained slow, showing that small businesses had limited access to fresh funds and overall financing conditions were tight. However, from **FY20 onwards**, there was a strong and consistent improvement in credit flow. Lending increased from Rs 4.03 Tn in FY20 to Rs 7.98 Tn in FY25, nearly doubling in five years. The sharp rise, especially from FY21 onwards, can be attributed to government-backed credit guarantee schemes, emergency credit line support during the pandemic, and improved economic recovery. The sustained growth indicates stronger confidence of banks in micro and small enterprises, increased formalization, and rising demand for working capital and expansion funding.

Medium Enterprises: Credit to Medium enterprises followed a similar but more pronounced growth pattern in recent years. Between FY15 and FY19, lending gradually declined from Rs 1.25 Tn to Rs 1.01 Tn, reflecting cautious credit expansion and financial stress in the sector. From FY20 onwards, medium enterprise credit witnessed significant acceleration. Outstanding credit rose sharply from Rs 1.09 Tn in FY20 to Rs 3.63 Tn in FY25 more than tripling over five years. The solid growth from FY21 onwards suggests enhanced policy support, increased demand for capital expenditure, and improved balance sheets of medium-sized firms. Compared to micro & small enterprises, the growth rate in medium enterprises has been relatively faster in the post-pandemic recovery phase, indicating expanding scale, higher investment activity, and improved access to formal bank credit.

NBFCs Credit to MSMEs in India

Gross credit disbursement by NBFCs increased from Rs 0.47 Tn in FY16 to Rs 1.22 Tn in FY24.. The trend highlights initial expansion, a temporary slowdown during financial stress and the pandemic, followed by a strong recovery phase. NBFCs continue to play a crucial complementary role alongside banks in MSME financing, particularly in expanding credit access and supporting economic growth.

| Gross Credit Disbursement by NBFCs (Rs Tn) | | | |
|--|-----------------|--------|-------------------|
| Year | Micro and Small | Medium | Total NBFC credit |
| FY16 | 0.32 | 0.15 | 0.47 |
| FY17 | 0.48 | 0.18 | 0.66 |
| FY18 | 0.55 | 0.24 | 0.80 |
| FY19 | 0.37 | 0.16 | 0.53 |
| FY20 | 0.36 | 0.14 | 0.51 |
| FY21 | 0.38 | 0.15 | 0.53 |
| FY22 | 0.42 | 0.16 | 0.58 |
| FY23 | 0.69 | 0.19 | 0.89 |
| FY24 | 1.01 | 0.21 | 1.22 |
| FY25 | NA | NA | 1.37 E |
| E: Estimated | | | |
| Source: CMIE, B2K Analytics | | | |

Micro & Small Enterprises: Gross credit disbursement by NBFCs to MSEs shows three distinct phases over the period. From FY16 to FY18, lending increased steadily from Rs 0.32 Tn to Rs 0.55 Tn, reflecting strong NBFC participation in MSME financing. During this phase, NBFCs played an important role in providing quicker and more flexible credit compared to traditional banks, especially to small businesses with limited formal documentation. However, from FY19 to FY21, disbursements declined and remained subdued, falling to around Rs 0.36–0.38 trillion. This slowdown was largely due to liquidity stress in the NBFC sector after the IL&FS crisis, followed by economic disruption caused by the pandemic. Credit risk concerns and funding constraints limited fresh lending during this period. **From FY22 onwards**, the trend reversed sharply with disbursements rising from Rs 0.42 Tn in FY22 to Rs 1.01 Tn in FY24, showing healthy recovery and expansion. The sharp rise indicates renewed confidence, improved liquidity conditions, digital lending growth, and increasing demand from small businesses. NBFCs have re-emerged as key credit providers to micro and small enterprises, particularly in underserved and semi-urban markets.

Medium Enterprises: NBFC lending to medium enterprises followed a more moderate growth pattern compared to Micro & Small enterprises. Between FY16 and FY18, disbursements increased from Rs 0.15 Tn to Rs 0.24 trillion, showing gradual expansion. However, similar to the micro segment, lending declined during FY19-FY21, stabilizing around Rs 0.14-0.16 Tn due to sectoral stress and economic slowdown. From FY22 onwards, credit disbursement to medium enterprises improved gradually, reaching Rs 0.21 Tn by FY24. While the growth is positive, it has been slower compared to micro & small enterprises. This suggests that medium enterprises may rely more on bank financing for larger ticket loans, while NBFCs continue to focus more aggressively on smaller borrowers.

Outstanding Credit of Scheduled Commercial Banks to Priority Sector

From an MSME's perspective, PSL is what makes them visible to banks. It ensures that lenders can't overlook them in favour of safer, large-ticket clients. Banks are mandated to direct a portion of their total lending currently 40% for domestic commercial banks to sectors the RBI considers "priority." MSMEs are one of them. That means: Even if your MSME is informal or unregistered, some banks may still consider you under PSL eligibility. PSL pushes banks to design specific MSME-focused loan products with simpler documentation and smaller ticket sizes. Credit decisions are influenced not just by profitability but by compliance with PSL quotas. Banks that fall short of these targets often face penalties or are required to invest in funds like RIDF (Rural Infrastructure Development Fund). That naturally shifts their incentives they're more willing to finance MSMEs, not out of charity, but compliance.

The continuous rise in credit to both segments underscores the impact of priority sector lending mandates and policy thrust on MSME development. The faster growth rate in medium enterprises in recent years may reflect both scale expansion within MSMEs and improved creditworthiness. From 2018-19 to 2024-25, Scheduled Commercial Banks have significantly scaled up their lending to both micro, small, and medium enterprises. While micro and small enterprises saw stable growth, the outstanding credit to medium enterprises grew at an even faster pace, highlighting the evolving credit needs of growing businesses and the banking sector's responsiveness. This trajectory showcases the critical role of formal banking channels in nurturing India's MSME sector and reinforces the importance of policy frameworks that ensure accessible and adequate financing for enterprise development.

The data on outstanding credit of SCBs to PSL shows a clear and continuous increase from FY19 to FY25. Total PSL credit rose from Rs 12.32 Tn in FY19 to Rs 28.41 Tn in FY25, more than doubling over six years. This steady increase reflects the continued focus of banks on meeting PSL requirements and expanding credit to priority sectors, particularly MSMEs. The trend indicates sustained policy focus, better credit penetration, and a supportive banking environment for MSMEs over the past few years.

Credit to Micro and Small Enterprises accounts for the largest portion of PSL lending. It increased from Rs 10.67 Tn in FY19 to Rs 22.39 Tn in FY25, with growth recorded each year. The acceleration from FY22 onwards indicates stronger policy push, improved credit demand, and enhanced financial inclusion efforts. This growth suggests that micro and small businesses are receiving increasing institutional support, which is crucial for employment generation and grassroots economic development.

Credit to Medium Enterprises also witnessed substantial growth, rising from Rs 1.65 Tn in FY19 to Rs 6.01 Tn in FY25. Although the base was smaller compared to micro and small enterprises, the growth rate has been impressive, particularly after FY21. The expansion in medium enterprise credit reflects

improved business confidence, higher investment activity, and greater integration of medium-sized firms into the formal banking system.

| Outstanding Credit of SCBs to PSL (Rs Tn) | | | |
|--|------------------------------------|---------------------------|-------------------------|
| Year | Micro and Small Enterprises | Medium Enterprises | Total PSL credit |
| FY19 | 10.67 | 1.65 | 12.32 |
| FY20 | 11.98 | 1.79 | 13.78 |
| FY21 | 12.06 | 2.58 | 14.64 |
| FY22 | 14.28 | 3.74 | 18.03 |
| FY23 | 16.43 | 4.24 | 20.67 |
| FY24 | 19.74 | 4.91 | 24.65 |
| FY25 | 22.39 | 6.01 | 28.41 |

Source: CMIE, B2K Analytics

Analysing the Funding Trends in MSME Sector

MSMEs) play a crucial role in India's economy, contributing ~30% of the national GDP. For FY2025, India's nominal GDP stands around Rs 330.68 lakh crore, with the 10-year CAGR of 10.2%. Based on this, the MSME sector's contribution is estimated at Rs 99.20Tn. However, access to formal credit (lending from commercial banks, NBFCs, and Priority Sector Lending (PSL) schemes) remains the challenge which is currently limited to around Rs 41.29 Tn. This leaves a funding gap of approximately Rs 59.28 Tn, part of which is likely being met through informal sources such as moneylenders or internal accruals.

Looking ahead to the Projections for FY2029–30, India's GDP is expected to reach Rs 537.96 Tn, assuming sustained economic growth. Followed that, MSME sector's contribution to GDP is also projected to increase from 30% to 40% by 2030 as the countries surpasses and becomes the 3rd largest economy, reflecting its expanding role in the economy

For FY30 assuming MSMEs account for a 40% share of the economy, the projected Nominal GDP stands at Rs 537.96 Tn, of which the MSME contribution is estimated at Rs 215.18 Tn. With borrowings estimated at 53% of MSME GDP and the overall total fund requirement of the sector is estimated at Rs 162.92 Tn. On the supply side, assuming total formal credit availability remains at Rs 78.02 Tn, with 56.98 Tn comprises under PSL, Rs 18.57 Tn from SCBs and Rs 2.46 Tn from NBFCs. The funding gap widens to Rs 84.89 Tn.

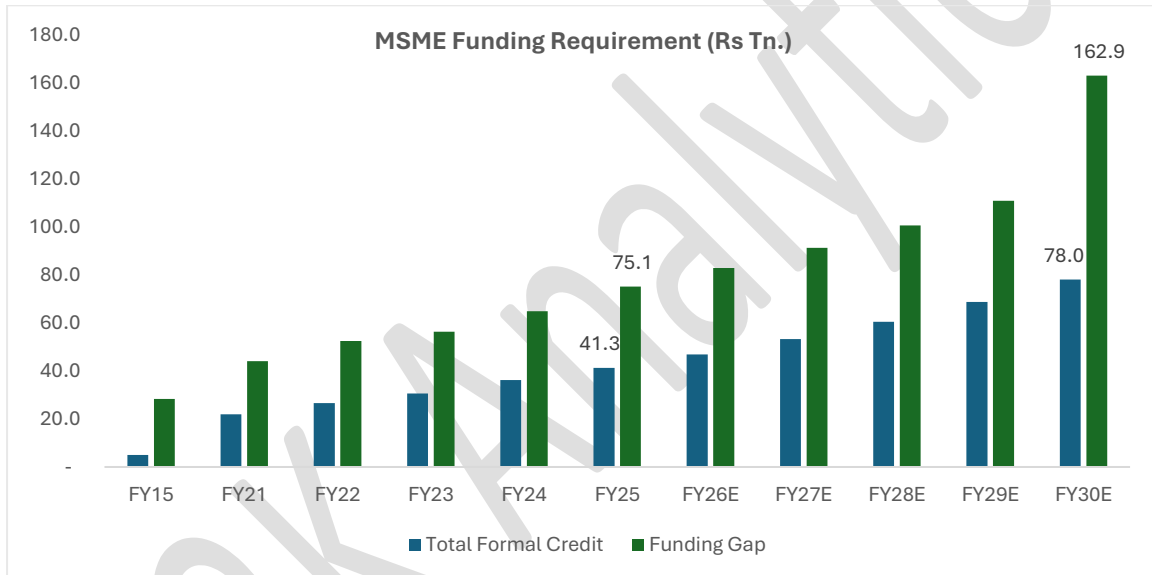
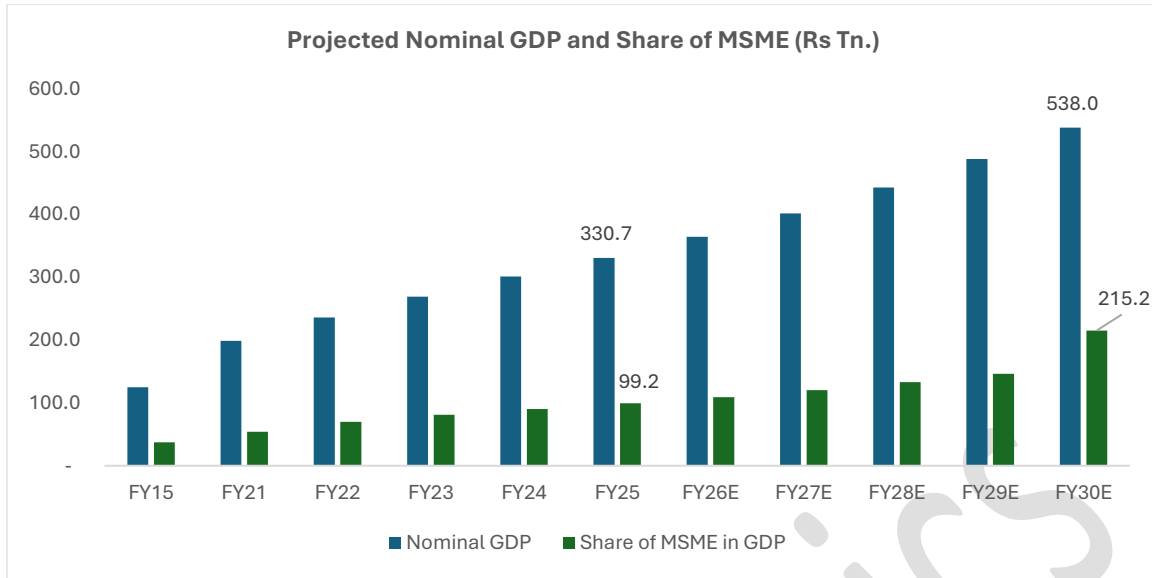
To address this shortfall, it is assumed that 5% of the gap will be met through informal financing sources, while 30% will be supported through promoters' own capital infusion. Even after these contributions, the remaining unmet funding requirement stands at Rs 55.18 Tn as per our estimates.

The projections reflect strong long-term growth trends, with expansion in MSMEs contribution to GDP. Formal credit growth including SCBs, PSL, NBFCs credit and overall credit is also expected move in tandem. However, despite this growth momentum, the analysis highlights a substantial and widening credit gap under the 40% MSMEs share scenario. This reflects the urgent need for expanded formal financing channels, deeper credit penetration, and innovative funding mechanisms to sustainably support MSMEs expansion and accelerate their growing contribution to India's economy.

In this direction, MSMEs should prioritise formalisation, as any MSMEs operate informally, making it challenging for lenders to assess their creditworthiness. By registering on the Udyam Portal and filing GST returns, MSMEs can enhance the transparency over their level of business activity and financials. This will enhance their credibility and may qualify them for priority sector lending and government schemes, by reinforcing their trustworthiness in the eyes of financial institutions. MSME ecosystem is expected to become more transparent and creditworthy by 2030.

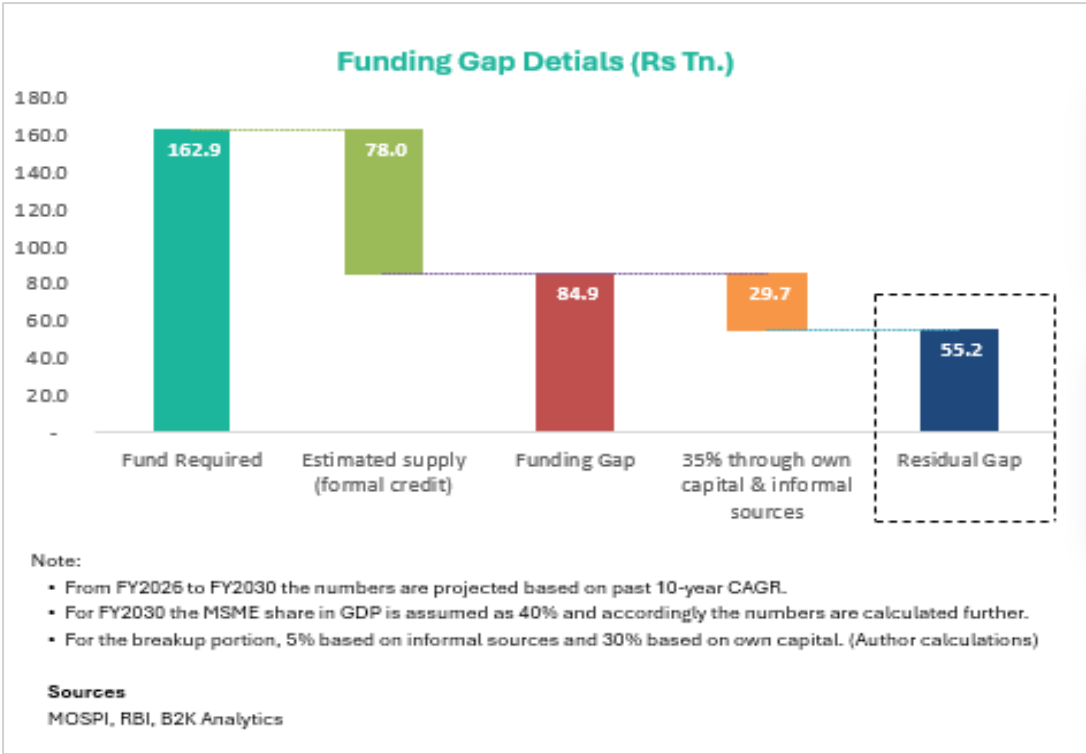
Other effective way to bridge this gap is through equity-based financing, such as SME IPOs on stock exchanges, which enable MSMEs to raise capital directly from the market. More formalized MSME will be facilitating access to both debt and equity financing in the years ahead.

Along with formalisation, adopting digital payment systems like UPI and online banking creates a digital footprint of financial transactions, making it easier for lenders to assess financials of the firm. Digital payments also improve cash flow management, offering MSMEs greater control over their finances and helping them maintain a clear financial record.



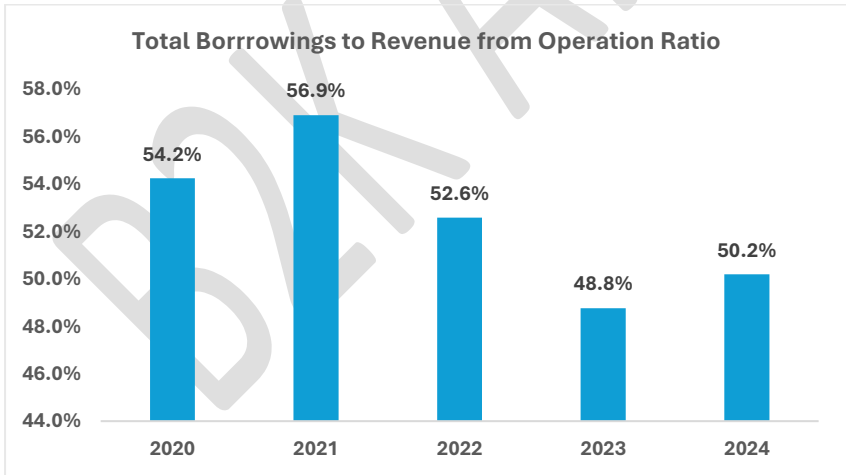
Note: The numbers in Rs Cr. From FY26 to FY30 the numbers are projected based on past 10-year CAGR. For FY30 the MSME share in GDP is assumed as 40% and accordingly the numbers are calculated further. For the breakup portion 5% based on informal sources and 30% based on own capital.

Sources: MoSPI, RBI, PIB, B2K Analytics



Sample Company Analysis

Further, based on the analysis of 46,198 companies as the sample size with the data used from CMIE prowest it shows the 5-year trend in revenue from operations, borrowing (it includes short term and long-term borrowings) and the trend of total borrowing/turnover ratio. The total borrowing/turnover ratio shows that average 50% for past 5 years.



Source: CMIE Prowess, B2K Analytics

SME IPOs in India: A Neglected Avenue for Growth Capital

SME platforms are opening new avenues for smaller enterprises to raise capital. SEBI has enhanced scrutiny and governance norms to ensure these platforms remain credible and protect investors. Despite the increased visibility and policy support in recent years, the capital market participation remains remarkably low, with SME IPOs contributing only around 0.3% of total SME financing nationwide. This points to a significant untapped opportunity for equity-based funding.

Despite this low share, the SME IPO route is steadily emerging as a compelling alternative to traditional funding sources such as banks, venture capital and private debt. It offers small enterprises not only access to capital but also enhanced public visibility, improved governance, and stronger long-term performance.

| Category | Number Cr) |
|-----------------|-------------------|
| Micro | 7,69,84,044 |
| Small | 4,89,631 |
| Medium | 36,915 |
| Total | 7,75,10590 |
| | |
| SME IPOs | Only 1400+ |

SME IPO occupies marginal share

Note: Data as of Feb 18, 2026

Source: Udyam Portal, BSE SME, NSE EMERGE, B2K Analytics

To facilitate equity financing for smaller firms, dedicated SME platforms such as BSE SME and NSE Emerge were launched in 2012. These platforms were specifically designed for businesses that do not meet the stringent listing requirements of the mainboard exchanges, thereby opening a new avenue for capital access and market presence. With the right investor awareness, regulatory support, and simplified processes, SME IPOs can play a transformational role in strengthening India's entrepreneurial ecosystem and reducing overdependence on debt financing.

The initial journey of both NSE Emerge and BSE SME platforms witnessed limited retail investor participation during the early years. While a brief surge in activity occurred in 2017, this momentum proved short-lived, with the number of SME IPOs declining in 2019 and falling further in the following years primarily due to the - disruption caused by the COVID-19 pandemic. At the same time, while average issue sizes were relatively small in the beginning, recent years have shown a notable upward trend, reflecting increasing investor confidence and maturing market dynamics. Over the past three years, a significant transformation has been observed across both SME IPO platforms.

Going forward, the SMEs are expected to drive significant growth with increased focus, evident in the developments seen so far. Key developments, such as the revision of MSME limits, amendments to Priority Sector Lending (PSL) rules, and modifications to M&A regulations, are aimed at encouraging MSME growth.

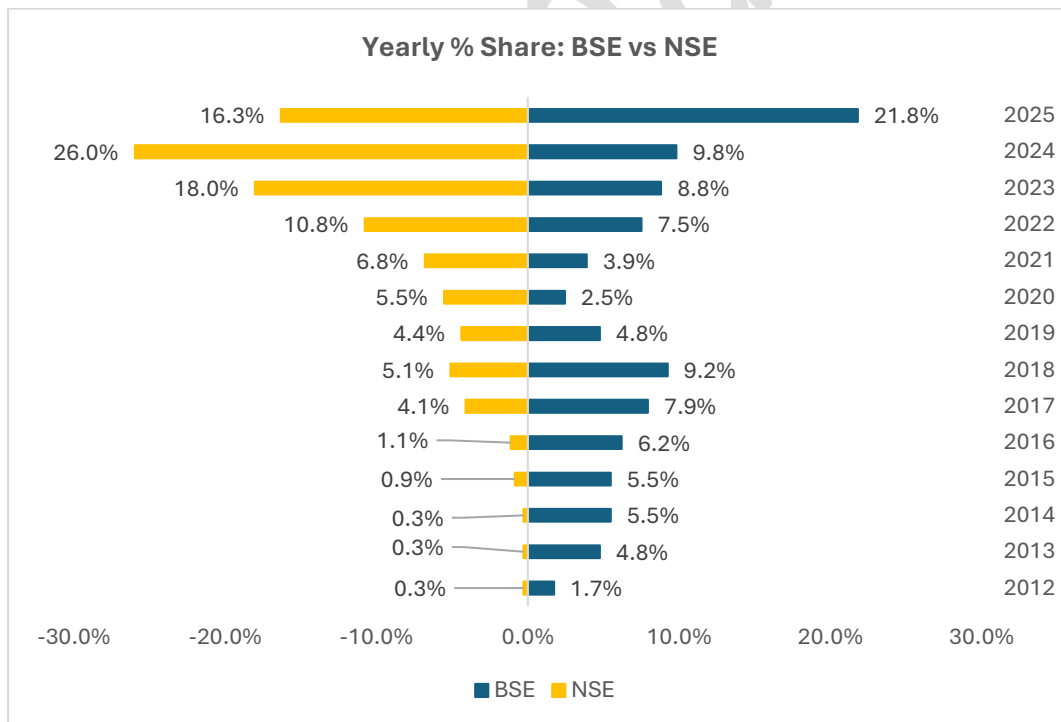
BSE SME: India's First Dedicated Platform for SMEs

The BSE launched its dedicated SME platform on March 13, 2012. In the - early years (2012–2016) BSE started with better number compared to NSE and posed decent growth. However, activity remained moderate, averaging around 33 to 43 IPOs annually between 2012 and 2016. From 2017 onwards, there was a pickup and 64 IPOs got listed in 2018 as domestic growth, regulatory reforms and SME participation gained pace. Despite the pandemic-induced slowdown in 2020, the market rebounded sharply, with IPOs climbing to 61 in 2023 and 68 in 2024, before reaching an all-time high of **151** in 2025.

This marks a clear shift in investor confidence and highlights the growing importance of SME IPOs as a viable capital-raising route. The surge in recent years also highlights a structural change in India’s capital markets, with SMEs driving record-breaking activity and retail participation widening the investor base. With 2025 already setting new records, India’s IPO market appears to sustain this growth, offering a strong platform for emerging small and medium companies. This also signifies the deepening maturity of capital markets.

NSE Emerge: Leading in SME IPOs

Between 2012 and 2014, IPO activity remained negligible. Momentum started building from 2017 onwards, though it moderated for a brief period. The real acceleration in SME IPOs began in 2023 with 118 issues, followed by a record-breaking 179 IPOs in 2024, marking a significant growth phase. In 2025, it has reached 117 IPOs, marking another strong year for SME IPOs.



Source: BSE, NSE, B2K Analytics

SME Exchanges: Timelines Signalling Shifts

Overall, the evolution of the SME IPO market in India can be broadly categorized into three key phases:

1. Early phase (2012 - 2016):

- The initial momentum was largely driven by BSE SME, which dominated early listings. For example, in 2013, BSE recorded 33 IPOs, compared to just 2 on NSE Emerge.
- During this phase, NSE was focused on building its ecosystem, investor confidence, and issuer pipeline.

2. Growth phase (2017 - 2020):

- A sharp spike in SME IPO activity occurred in 2017, though it was short-lived, with numbers dipping again by 2019, largely due to market volatility and later the global impact of COVID-19.
- Despite pandemic-related disruptions, overall activity showed resilience, laying the groundwork for stronger growth.

3. Acceleration & Dominance phase (2021 - 2025):

- From 2021 onwards, the SME IPO segment began to see significant traction, followed by the period from 2022 onward marks a clear inflection point, with strong investor demand, higher valuations, and greater market participation.
- The market accelerated sharply in 2024 a peak year, with 245 companies raising over Rs 9,394 crore a massive jump from above Rs 4,823 crore in 2023 through 179 issues.
- NSE continued to dominate, capturing 179 IPOs in 2024 against 68 by BSE.
- Alongside the number of IPOs, the average issue size has increased, reflecting growing confidence among investors and improved issuer quality.

Seasonality Pattern: IPO launches display a clear seasonal pattern and after careful observation it can be observed that many SME IPOs in India tend to cluster around September every year.

Activity tends to peak in September–October (post-monsoon and pre-festival period), while June–August also records a steady rise. In contrast, January–March generally shows moderate issuance activity. So, there isn't a single fixed rule for it, but several practical and market-driven factors explain this September trend such as

- Q1 results are out by August: Companies finalise and publish their April–June quarterly results by mid-August. Investors get fresh financial data, which builds confidence for IPO valuations and SEBI clearances.
- Post-audit readiness: Most SMEs close their audit work by July/August, so by September they are compliance-ready for IPO.
- Post-summer lull: June–July often sees lower activity because of monsoons, vacations, and pending results. By September, markets regain momentum.
- Festive season ahead: September–November (Navratri, Diwali, year-end) is a peak period for retail investment activity in India. Companies prefer launching IPOs ahead of festive liquidity inflows.
- Overall, September becomes a strategic window combining fresh financial disclosures, regulatory readiness, liquidity return, and festive optimism.

Year 2025 - A Milestone: The surge from 179 IPOs in 2023, it reached a record 268 in 2025, highlights the structural shift in SME capital raising. This sharp rise reflects post-COVID economic recovery, ample market liquidity, and growing retail as well as institutional participation in SME platforms.

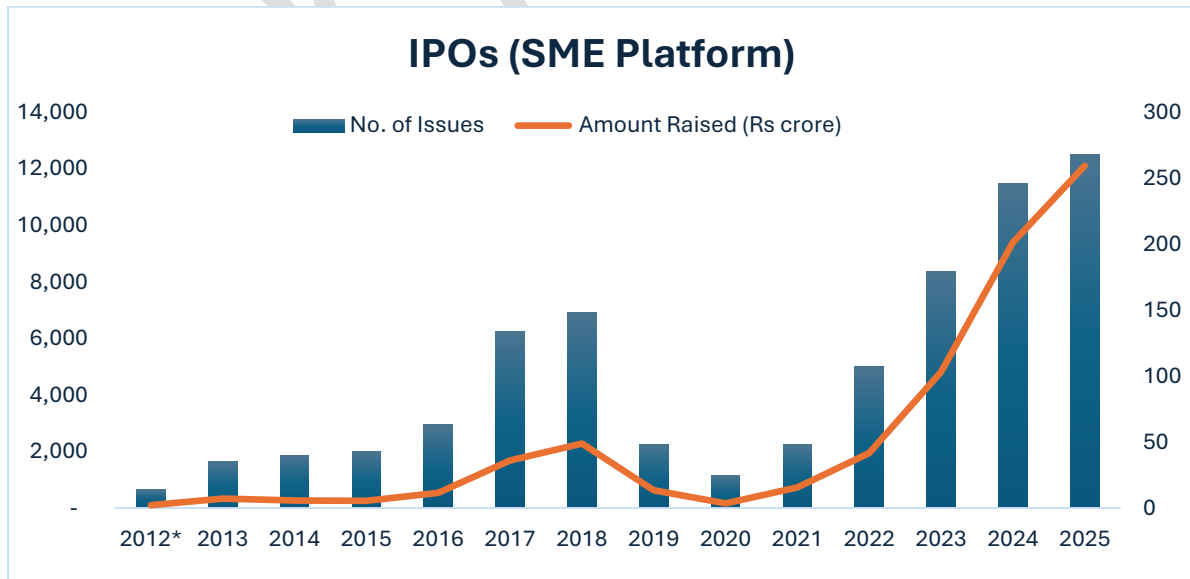
India’s SME sector holds significant long-term growth potential. However, navigating the volatility, current market conditions could present opportunities to acquire quality SME stocks at attractive valuations, at the same time being cautious is important. However, investors must keep in mind that SME stocks tend to lack liquidity, which can lead to higher costs when exiting positions.

SME Platforms – Average Issue Size and Fund raised

The SME IPOs on both BSE and NSE platforms witnessed dynamic shifts between 2020 and 2025. In terms of average issue price, there is a clear trend of rising valuations on both exchanges. The average issue price on BSE climbed from Rs 49 in 2020 to Rs 108 in 2025, more than doubling over the review period . NSE reported a similar trend, with average issue prices increasing from Rs 54 in 2020 to a striking Rs 107 by 2025. This sharp increase in NSE’s average issue price suggests the listing of higher-priced, potentially more mature or promising companies, indicating a shift in the quality and scale of companies opting for the SME route.

The issue size too illustrates a substantial escalation in capital raised through SME IPOs which rose from Rs 540 crore in 2016 to an impressive Rs 4,822 crore in 2023, followed by Rs 9,395 crore in 2024 according to SEBI. This jump signifies growing dominance in facilitating large-scale capital raising for SMEs and reflects increasing investor confidence in the SME market segment. The market accelerated further in 2025, with 268 companies raising ~ Rs 12,105 crore a 29% jump over 2024.

A month-wise breakdown reveals that the July to September quarter has consistently emerged as the most active period for SME IPOs a trend is expected to continue. Among the peak periods, each year had a standout month i.e, March in 2023 (22 IPOs), September in 2024 (35 IPOs), and again September in 2025 (38 IPOs), establishing it as the most favoured listing month for SMEs.



Source: BSE, NSE, B2K Analytics

Concentration in Smaller Issue Sizes: The majority of SME IPOs are in the Rs 1–11 Cr. range, with ~245 companies falling in this bracket. Combined with the <1 Cr. category (9 companies), it shows that a substantial portion of SMEs prefer smaller capital raises, likely reflecting cautious growth strategies or limited financing needs.

Moderate Issue Sizes: Issue sizes between Rs 11–41 Cr. account for a significant portion of listings (Rs 11–21 Cr.: 165 companies, Rs 21–31 Cr.: 122 companies, Rs 31–41 Cr.: 70 companies). This indicates a moderate appetite for capital among mid-sized SMEs, suggesting they are targeting meaningful expansions without over-leveraging.

Smaller Participation in Larger Issue Sizes: IPOs larger than Rs 41 Cr. show a sharp drop in numbers (Rs 41–51 Cr.: 59 companies, Rs 51–61 Cr.: 38 companies, Rs 61–71 Cr.: 22 companies), beyond Rs 71 Cr., the numbers diminish considerably, with only a handful of companies attempting very large raises (≥ Rs 100 Cr.).

High-Value IPOs: Only a few companies have raised above Rs 101 Cr., highlighting rare but significant large-scale SME IPOs. On the other hand, the maximum observed issue sizes are in the Rs 181–191 Cr. range, indicating that while SMEs predominantly aim for smaller sizes, exceptional cases exist with very ambitious capital-raising for futuristic sectors like sustainability. Overall, the trend depicts the distribution is heavily right-skewed, meaning most SME IPOs are on the smaller side, with a long tail of fewer high-value IPOs. This aligns with the nature of SMEs, which often have lower capital requirements and prefer incremental growth.

Significant Jump in SME IPOs in Last Three Years

| Resource Mobilisation through SME IPO's - Last 3 Years | | |
|--|------------------|--------------------|
| Year: 2023 | | |
| Category | No. of Companies | Issue Size (₹ Cr.) |
| Fresh Capital | 149 | 3,615.99 |
| Fresh Capital-cum-Offer for Sale | 29 | 1,183.62 |
| Offer For Sale (OFS) | 1 | 23.75 |
| Grand Total | 179 | 4,823.36 |
| Fund Raised excluding OFS | | 4,519.18 |
| BSE Sensex | | 72,240 |
| BSE SME IPO Index | | 46,528.80 |
| Year: 2024 | | |
| Category | No. of Companies | Issue Size (₹ Cr.) |
| Fresh Capital | 213 | 7,391.08 |
| Fresh Capital-cum-Offer for Sale | 31 | 1,877.14 |
| Offer For Sale (OFS) | 2 | 125.64 |
| Grand Total | 246 | 9,393.86 |
| Fund Raised excluding OFS | | 8,832.78 |
| BSE Sensex | | 78,139.01 |
| BSE SME IPO Index | | 115,003.98 |
| Year: 2025 | | |
| Category | No. of Companies | Issue Size (₹ Cr.) |
| Fresh Capital | 197 | 7,649.62 |

| | | |
|---|-----|------------------|
| Fresh Capital-cum-Offer for Sale | 70 | 4,311.11 |
| Offer For Sale (OFS) | 1 | 144.47 |
| Grand Total | 268 | 12,104.73 |
| Fund Raised excluding OFS | | 11,050.64 |
| BSE Sensex | | 82,327.05 |
| BSE SME IPO Index | | 96,072.83 |
| Source: BSE SME and NSE EMERGE, B2K Analytics | | |

The rise in SME IPOs can be credited to multiple enabling factors, including regulatory reforms by SEBI that have streamlined the IPO process, increasing awareness among SMEs of the benefits of listing, stronger investor appetite for SME equities due to high return potential, and a maturing ecosystem of advisors, underwriters, and merchant bankers. Moreover, the reclassification of SMEs, financial formalization through GST and UDYAM registration, and improved compliance levels have made many enterprises IPO-ready.

The jump in listings, especially in 2024 and 2025, suggests increased confidence among SMEs in capital markets and also points to a deeper integration of smaller businesses into the formal financial system.

Over the last three years, the SME IPO market in India has experienced significant fluctuations in terms of the number of companies listing and the amount of capital raised. In 2023, a total of 179 companies raised approximately Rs 4,800 crore, with fresh capital issues dominating the market. About 147 companies raised around Rs 3,593 crore through fresh capital, indicating a strong focus on funding growth and expansion. The following year, 2024 saw a substantial surge in activity, with ~246 companies raising nearly Rs 9,394 crore, almost double than the previous year's total. This growth was largely driven by fresh capital issues, which accounted for more than 79% of the total issue size. The number of companies raising funds through a combination of fresh capital and offer for sale also increased, signalling growing investor confidence and active participation. Similar trend was observed in 2025.

Overall, the dominance of fresh capital issues across all three years highlights that most SMEs primarily sought funds for growth rather than providing exits to existing shareholders.

SME IPOs: Top Companies Based on Different Criteria

Based on IPO Issue Price

| Company Name | Issue Price Final (Rs per share) | Price in Rs (Sept 2025) | Listing Date |
|----------------------------------|----------------------------------|-------------------------|------------------|
| Remus Pharmaceuticals Ltd | 1,229 | 719 | May 29, 2023 |
| Proventus Agrocom Ltd | 771 | 1,175 | June 5, 2023 |
| Hvax Technologies Ltd | 458 | 963 | October 7, 2024 |
| Danish Power Ltd | 380 | 816 | October 29, 2024 |
| Supershakti Metaliks Ltd | 375 | 275 | July 30, 2018 |
| Manas Properties Ltd | 360 | - | March 30, 2017 |
| Rajesh Power Services Ltd | 335 | 1,489 | December 2, 2024 |
| Emkay Taps and Cutting Tools Ltd | 330 | 146 | August 31, 2015 |
| KKV Agro Powers Ltd | 320 | 539 | July 14, 2016 |
| Cosmic CRF Ltd | 314 | 1,118 | June 30, 2023 |

Note: Data is taken till Sept, and all SME IPOs are considered (sample 780)

Source: BSE, NSE, Chittorgarh, B2K Analytics

Among the companies listed, Remus Pharmaceuticals Ltd leads with the highest issue price of Rs 1,229 per share. This premium pricing likely reflected high expectations from investors, possibly due to its presence in the pharmaceutical sector, which has seen increased investor interest post-pandemic. However, despite the strong start, the stock was trading at Rs 719 in September 2025, indicating a significant correction in its latest price. This suggests that while initial optimism was high, current market performance is different.

Followed by Proventus Agrocom Ltd, which issued shares at Rs 771, saw its price rise to Rs 1,175 by September 2025 an impressive gain and highlights strength of the agro-processing sector. Similarly, Hvax Technologies Ltd, with an issue price of Rs 458, more than doubled to Rs 963 within a year of listing, suggesting post-listing performance, likely driven by the booming tech sector or a strong product pipeline.

Danish Power Ltd saw a similar upward trend, trading at Rs 816 again more than double its issue price. Supershakti Metaliks Ltd trading lower signalling underperformance, possibly due to sectoral headwinds in metals or company-specific challenges. Rajesh Power Services Ltd is one of the standout performers with over 340% gains, suggesting strong fundamentals, growth prospects, or favourable sectoral tailwinds in the power sector. Emkay Taps and Cutting Tools Ltd has declined.

Based on IPO Price as of 2025:

| Company Name | Price in Rs (Sept 2025) | Issue Price (Rs) | Listing Date |
|------------------------------------|-------------------------|------------------|--------------------|
| City Pulse Multiventures Ltd | 2,928 | 30 | July 11, 2019 |
| Oriana Power Ltd | 2,645 | 118 | August 11, 2023 |
| Concord Control Systems Ltd | 2,578 | 55 | October 10, 2022 |
| Foce India Ltd | 1,894 | 225 | December 28, 2021 |
| Beta Drugs Ltd | 1,820 | 85 | October 12, 2017 |
| Viviana Power Tech Ltd | 1,607 | 55 | September 16, 2022 |
| Solex Energy Ltd | 1,681 | 52 | February 5, 2018 |
| Rajesh Power Services Ltd | 1,489 | 335 | December 2, 2024 |
| Amic Forging Ltd | 1,469 | 126 | December 6, 2023 |
| Vinyas Innovative Technologies Ltd | 1,202 | 335 | December 2, 2024 |

Note: Data is taken till Sept, and all SME IPOs are considered (sample 780)
Source: BSE, NSE, Chittorgarh, B2K Analytics

SME segment sees notable growth and investor interest in recent years, reflected in the appreciation of several SME IPOs since their listing dates. Analysing SME IPOs listed till 2025 reveals striking success stories among top performers. City Pulse Multiventures Ltd leads the pack with its stock price soaring to Rs 2,928 a phenomenal growth. Oriana Power Ltd with similar trend reaching to Rs 2,645 while Concord Control Systems Ltd price also climbing to Rs 2,578. Other notable performers include Foce India Ltd, Beta Drugs Ltd, and Viviana Power Tech Ltd, and newer listings such as Rajesh Power Services Ltd and Vinyas Innovative Technologies Ltd, listed as recently as in 2024, already showing promising price levels relative to their issue prices. Overall, each showing impressive price multiples which reflects potential within the SME space for substantial wealth creation.

Based on IPO Issue Size:

| Company Name | IPO Size (Rs cr) | Issue Price Final (Rs per share) | Listing Date |
|-------------------------------------|------------------|----------------------------------|--------------------|
| Danish Power Ltd | 197.9 | 380 | October 29, 2024 |
| KP Green Engineering Limited | 189.5 | 144 | March 22, 2024 |
| Sahasra Electronic Solution Limited | 186.16 | 283 | October 4, 2024 |
| Capital Numbers Infotech Limited | 169.37 | 263 | January 27, 2025 |
| Rajesh Power Services Ltd | 160.47 | 335 | December 2, 2024 |
| Unified Data Tech Solutions Ltd | 144.47 | 273 | May 29, 2025 |
| Mach Conferences and Events Limited | 125.28 | 225 | September 11, 2024 |
| Ganesh Green Bharat Limited | 125.23 | 190 | July 12, 2024 |
| Tunwal E-Motors Limited | 115.64 | 59 | July 23, 2024 |
| Nisus Finance Service Co Limited | 114.24 | 180 | December 11, 2024 |

Note: Data is taken till Sept, and all SME IPOs are considered (sample 780)
Source: BSE, NSE, Chittorgarh, B2K Analytics

At the forefront is Danish Power Ltd, which raised the largest IPO size of ~ Rs 197.9 crore and close behind is KP Green Engineering Limited, with an IPO size of Rs 189.5 crore. Other significant IPOs include Sahasra Electronic Solution Limited raising Rs 186.16 crore, Capital Numbers Infotech Limited, Rajesh Power Services Ltd over Rs 160.47 crore. Meanwhile, Unified Data Tech Solutions Ltd raised Rs 144.47 crore further exemplifying the steady momentum in SME capital markets. Smaller yet substantial IPOs include Mach Conferences and Events Ltd (Rs 125.28 crore), Ganesh Green Bharat Ltd (Rs 125.23), and Tunwal E-Motors Ltd (Rs 115.64 crore). Nisus Finance Service Co Ltd raising Rs 114.24 crore.

Based on Gain as of 2025:

| Company Name | Gain (%) | Issue Price | Price (Sept 2025) | Listing Date |
|---|----------|-------------|-------------------|--------------------|
| City Pulse Multiventures Ltd | 9,763.3 | 30 | 2,928 | July 11, 2019 |
| Concord Control Systems Ltd | 4,318.2 | 55 | 2,578 | October 10, 2022 |
| Solex Energy Ltd | 3,123.8 | 52 | 1,681 | February 5, 2018 |
| Viviana Power Tech Ltd | 2,891.9 | 55 | 1,607 | September 16, 2022 |
| PNGS Gargi Fashion Jewellery | 2,653.3 | 30 | 856 | December 20, 2022 |
| RMC Switchgears Limited | 2,603.7 | 27 | 699 | March 14, 2017 |
| Oriana Power Ltd | 2,034.5 | 118 | 2,645 | August 11, 2023 |
| Beta Drugs Ltd | 2,022.4 | 85 | 1,820 | October 12, 2017 |
| Krishna Defence & Allied Industrial Ltd | 1,976.0 | 39 | 781 | April 6, 2022 |
| Waaree Technologies Ltd | 1,513.9 | 1503 | 1,048 | October 28, 2024 |

Note: Data is taken till Sept, and all SME IPOs are considered (sample:780)
Gains are calculated using simple absolute returns based on price change from issue price to the latest stock price.
Source: BSE, NSE, Chittorgarh, B2K Analytics

City Pulse Multiventures Ltd leads the list with an astonishing gain of 9,763.3% from its issue price. Since its issue price of Rs 30 per share in July 2019, the stock price soared to Rs 2,928 by September 2025, representing one of the most lucrative investments in the SME space. Following closely is Concord Control Systems Ltd, which has witnessed a gain of 4,318.2%, with its share price rising from Rs 55 at

issue to Rs 2,578 by September 2025. Another standout is Solex Energy Ltd, delivering a gain of 3,123.8% from an issue price of Rs 52 in February 2018 to Rs 1,681 in September 2025.

Other notable gainers include Viviana Power Tech Ltd with a 2,891.9% increase, and PNGS Gargi Fashion Jewellery, which surged by 2,653.3%. RMC Switchgears Limited has also rewarded investors with an impressive gain of 2,603.7%, while Oriana Power Ltd and Beta Drugs Ltd have generated gains of 2,034.5% and 2,022.4%, respectively, further demonstrating the wealth creation potential within the SME sector. Further Krishna Defence & Allied Industrial Ltd has delivered a near 2,000% returns. Even companies with more recent listings, such as Waaree Technologies Ltd, though showing a relatively modest gain of 1,513.9%, continue to exhibit robust price appreciation since their IPO.

Based on Market Capitalisation:

| Company Name | Market Cap (Rs cr.) | Price (Sept 2025) | Issue Price | Listing Date |
|----------------------------------|---------------------|-------------------|-------------|-------------------|
| Oriana Power Ltd | 5,583 | 2,644.60 | 118 | August 11, 2023 |
| Bondada Engineering Ltd | 4,250 | 379.20 | 75 | August 30, 2023 |
| Insolation Energy Ltd | 4,201 | 187.00 | 38 | October 10, 2022 |
| City Pulse Multiventures Ltd | 3,117 | 2,927.70 | 30 | July 11, 2019 |
| Alpex Solar Ltd | 2,840 | 1,157.90 | 115 | February 15, 2024 |
| Rajesh Power Services Ltd | 2,720 | 1,489.30 | 335 | December 2, 2024 |
| KP Green Engineering Ltd | 2,571 | 511.60 | 144 | March 22, 2024 |
| Afcom Holdings Ltd | 2,179 | 875.05 | 108 | August 9, 2024 |
| Kesar India Ltd | 1,804 | 733.90 | 170 | July 12, 2022 |
| Upsurge Seeds of Agriculture Ltd | 182 | 178.50 | 120 | August 11, 2022 |

Note: Data is taken till Sept, and all SME IPOs are considered (sample:780)
Source: BSE, NSE, Chittorgarh, B2K Analytics

India's SME capital markets in the most recent years have witnessed a dramatic transformation, with several newly listed companies achieving not only multi-bagger returns and but also significant market capitalisation milestones. Our analysis reveals emergence of high-growth companies that have established strong valuations within a relatively short period post-listing.

Leading the pack is Oriana Power Ltd, which has surged to a market cap of Rs 5,583 crore, with its stock trading at Rs 2,644.60, a massive leap from its issue price of Rs 118 since listing in August 2023. The company has emerged as a poster child for SME success, driven by investor optimism around clean energy and sustainable infrastructure. Bondada Engineering Ltd and Insolation Energy Ltd follow closely, with market caps of Rs 4,250 crore and Rs 4,201 crore, respectively. Both companies operate in the engineering and renewable energy space, sectors that have seen robust investor interest amid India's push for infrastructure development and energy transition. Their stock prices have soared several times over their issue prices of Rs 75 and Rs 38, reflecting strong business performance and market trust.

City Pulse Multiventures Ltd, a old timer among the top SME performers, commands a market cap of Rs 3,117 crore. Listed in July 2019 at just Rs 30, the company's stock has skyrocketed to nearly Rs 2,928, underscoring long-term investor confidence and impressive business scalability. Alpex Solar Ltd and Rajesh Power Services Ltd, both recent entrants (listed in 2024), have already crossed the Rs 2,500 crore market cap mark. Their fast rise highlights growing investor appetite for solar, power, and green infrastructure plays in the SME space.

Other notable entries include KP Green Engineering Ltd (Rs 2,571 crore), Afcom Holdings Ltd (Rs 2,179 crore), and Kesar India Ltd (Rs 1,804 crore), all of which have achieved remarkable growth post-listing and reflect a diversified mix of sectors. Rounding out the list is Upsurge Seeds of Agriculture Ltd, with a more modest market cap of Rs 182 crore, yet a respectable price appreciation from Rs 120 to Rs 178.50, showing that even smaller caps in the SME segment are providing steady investor returns.

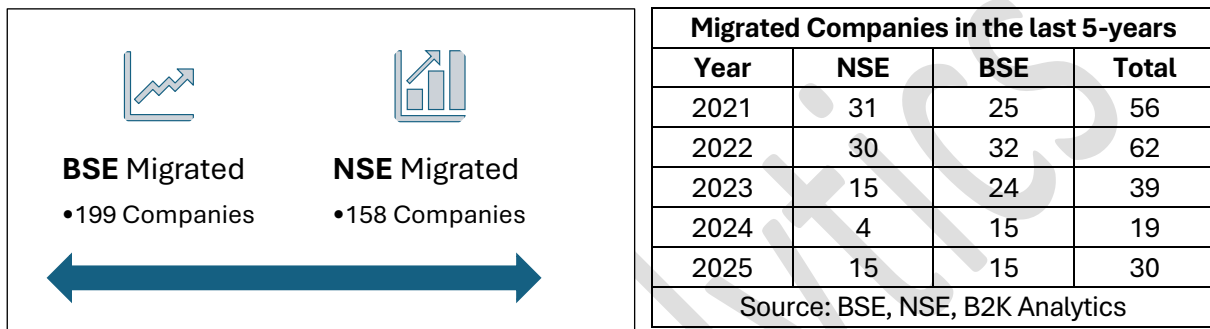
Outlook for IPO market:

The outlook for the IPO market remains cautiously optimistic despite the ongoing turbulence caused by tariffs, GST reforms, evolving trade agreements, fluctuating market activity across asset classes, and overall volatility that has characterised 2025.. Several key factors continue to shape the market dynamics:

- **Continued Growth in SME IPOs:** With enhanced regulatory frameworks with revision in MSME limits by RBI in April 2025 and changes in BSE & NSE guidelines. Furthermore, transparency in 2025 might be seen in even higher number of SME listings, as strong businesses seek capital for expansion and innovation.
- **Sectoral Diversification:** Traditional as well as new interested sector are both helping in economic growth of the economy. Upcoming sunrise sector like renewable energy, technology, fintech, and e-commerce will have more companies interest in and with that traditional sectors like pharma, manufacturing, and automobile will also continue its growth momentum.
- **Upcoming IPOs:** More DRHP's are filed for upcoming IPOs in Year 2026 in SME segment.
- **Large IPOs in Mainboard:** With many IPOs scheduled for 2026; the mainboard market is also expected to remain active, with potential for further large fund raises.
- **Global Economic Factors:** Any global market uncertainty, including inflation concerns across economies and rate cuts or not, or geopolitical issues related to international trade, could temper the IPO market activity. However, India's strong economic fundamentals will continue to make it an attractive investment destination
- **Investor Sentiment:** If retail and institutional investor sentiment remains strong, particularly post-2024's high returns, one can expect a solid year ahead for IPOs.

From a Promising SME IPO Debut to Mainboard Momentum:

Migration is the process by which a company moves its securities from the SME exchange to the main board of the BSE and NSE. Thus, in parallel with the SME IPO boom, the mainboard market also observes notable growth, with 199 companies listing on the BSE SME and 158 on the NSE Emerge platforms as of Feb 2026. Also, SME to mainboard migration is a key step for most of the small and medium enterprises listed on stock exchanges in India and has several benefits for company owners as well as investors.



Criteria for Migration

| No. | Criteria | Requirements |
|-----|-------------------------------|---|
| 1 | Paid-up Capital | ≥ INR 10 crore |
| 2 | Market Capitalisation | Migration: Avg. ≥ INR 100 crore (over last 6 months) Direct Listing: Avg. ≥ INR 1,000 crore (over last 6 months) |
| 3 | Market Liquidity | - ≥ 5% shares traded - ≥ 80% market days - Avg. turnover: Rs 10L; Min: Rs 5L - Avg. trades: 50; Min: 25 |
| 4 | Operating Profit (EBITDA) | Avg. ≥ Rs 15 crore over 3 yrs Min. Rs 10 crore each year |
| 5 | Net Worth | ≥ INR 1 crore in each of last 3 yrs |
| 6 | Net Tangible Assets | ≥ INR 3 crore for 3 yrs ≤ 50% in monetary assets unless used for business |
| 7 | Promoter Holding | ≥ 20% (Promoter/Group combined) |
| 8 | Lock-in Period | 6 months from listing (Not for SME migration) |
| 9 | Promoter Shares in Demat | 100% at time of application |
| 10 | Regulatory & Legal Compliance | No SEBI debarment, defaulter, fraud, or IBC/NCLT issues |
| 11 | SEBI (LODR) Compliance | 3 years track record, no pending issues |
| 12 | SME Listing Track Record | Min. 3 years on BSE SME platform |
| 13 | Public Shareholders | ≥ 1,000 (as per latest pattern) |
| 14 | Other Compliance | No defaults, IPO fund use certified, not under surveillance, 2-month cooling off if exited |
| 15 | SCORES | No pending investor complaints |
| 16 | Business Consistency | Same business for 3 years ≥ 50% revenue from core activity |
| 17 | Audit Qualifications | No ongoing audit issues on going concern or material financials |

Source: Stock Exchanges, B2K Analytics

Business Benefits of Upgrading to Mainboard

- The migration to the mainboard offers several benefits to SMEs, including Improved Stock Performance, Increased Retail Investor Participation, No Market Maker Requirement, Listing on Both Exchanges, Entrance into the Mainboard League, and more.
- Signifies growth and maturity: A successful migration demonstrates that the company has matured, grown substantially, and is ready to compete on a larger stage.
- Enhanced visibility and credibility: Main board status elevates a company's public profile, drawing media attention and analyst coverage. This boosts credibility with customers, suppliers, and partners.
- Access to a larger capital pool: Listing on a main board attracts institutional investors, foreign investors, and a much wider retail investor base, enabling access to more significant capital for expansion, acquisitions, and R&D.
- Attracts better talent: The enhanced reputation of a main board-listed company makes it more appealing to top talent, which can help drive further innovation and growth.
- Improved stock liquidity: With a broader investor base, shares on the main board are more liquid. This facilitates easier trading and provides existing shareholders with a straightforward exit option, while new investors can buy or sell with a single share lot, unlike the minimum lot size on SME platforms.
- Greater valuation: The perception of stability and adherence to stricter regulatory standards on the main board often leads to better valuation multiples for the company.

Eligibility Criteria for BSE SME Migration (Effective August 11, 2025)

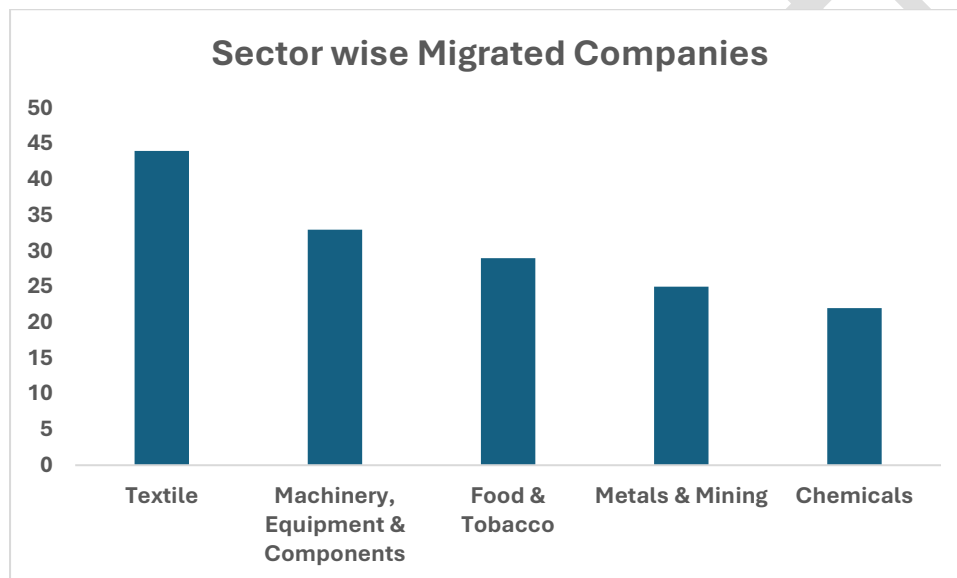
- Profitability: A minimum average operating profit of Rs 15 crore over the last three financial years, with at least Rs 10 crore in profit each year.
- Shareholders: At least 1,000 public shareholders.
- Assets: Net tangible assets of at least Rs 3 crore for each of the last three years.
- Liquidity: An average equity trade of 5% over the last six months, with active trading on 80% of those days.
- Governance: A consistent record of compliance with corporate governance standards for three years.

Sector Analysis for SME

Based on the market for the top companies the Renewable energy tops the list sector in the SME IPO segment followed by electronic and part in Pharma, Chemical and Food.

Sector Analysis for Migrated Companies

An analysis of companies that have migrated from SME platforms (BSE SME and NSE Emerge) to the main board reveals distinct sectoral patterns. Textiles lead the way with 44 companies, reflecting the sector's strong growth trajectory and its readiness to scale through capital markets. This is followed by the Machinery, Equipment & Components sector, with 33 companies making the transition, underscoring the robust performance of India's industrial and manufacturing base. The Food & Tobacco sector comes next with 29 migrations, highlighting the growing demand and investment in FMCG and agro processing. The Metals & Mining and Chemicals sectors also show strong representation with 25 and 22 migrated companies, respectively. These capital-intensive industries often leverage public markets to fund expansion, modernisation, and compliance with regulatory standards.



Data as of Sept 2025

Source: BSE, NSE, B2K Analytics

Sectoral Analysis – based on Market Capitalisation

Among the migrated segments, textile and machinery, Equipment & Components lead with highest number of migrations to mainboard. Renewable Energy and Chemicals have emerged as the most prominent sub segments, leading the transition in terms of both scale and strategic importance. This can be attributed to the global push for decarbonisation, increased investments in sustainable infrastructure, and favourable policy frameworks promoting clean energy adoption. Similarly, the Chemical sector is experiencing a transformation driven by innovations in green chemistry, bio-based alternatives, and a shift toward circular economy models.

Pharmaceuticals have also shown significant migration activity but has slightly shifted off late. Overall these sectors represent the forefront of industrial transformation, indicating a broader shift in global economic priorities toward sustainability, innovation, and resilience in supply chains.

Highlights

Textile and machinery-related firms dominate in volume, often representing smaller ticket sizes and traditional industries. On the other hand, Renewables and chemicals dominate in value, reflecting investor appetite for high-growth, future-oriented, and ESG-aligned sectors. Together, they illustrate the diverse capital needs and maturity levels of SMEs across sectors, and how India's SME IPO platforms are catering to both volume-driven and value-driven growth stories.

| Migrated Companies sectoral view | |
|---|--|
| Sector - Migrated Companies | Examples of Migrated Companies |
| Textile | Pashupati Cotspin Ltd |
| | SBC Exports Ltd |
| | Anand Rayons Ltd |
| Machinery, Equipment & Components | Macpower CNC Machines Ltd |
| | Jash Engineering Ltd |
| | Marine Electricals (India) Ltd |
| | Spectrum Electrical Industries Ltd |
| | Artemis Electricals & Projects Ltd |
| | Advait Energy Transitions Limited |
| | Knowledge Marine & Engineering Works Ltd |
| Food & Tobacco | Sarveshwar Foods Ltd |
| | Euro India Fresh Foods Ltd |
| | Krishival Foods Ltd |
| | Manorama Industries Ltd |
| | Zeal Aqua Ltd |
| Metals & Mining | MMP Industries Ltd |
| | Euro Panel Products Ltd |
| | Mangalam Worldwide Ltd |
| Chemicals | Rhetan TMT Ltd |
| | Sirca Paints India Ltd |
| | Madhya Bharat Agro Products Ltd |
| | Krishana Phoschem Ltd |
| | Yasho Industries Ltd |
| | A-1 Ltd |
| | Valiant Organics Ltd |
| <i>Source: BSE, NSE, B2K Analytics</i> | |

Top 10 Migrated Companies based on different criteria

Based on IPO issue price:

| NSE Migrated - Top 10 Based on Issue Price | | BSE Migrated - Top 10 Based on Issue Price | |
|--|-------------------|--|-------------------|
| Company Name | Issue Price Final | Company Name | Issue Price Final |
| Thejo Engineering Ltd | 402 | Waaree Renewable Technologies Ltd | 1,503 |
| Osia Hyper Retail Ltd | 252 | Valiant Organics Ltd | 220 |
| SecUR Credentials Ltd | 205 | Manorama Industries Ltd | 188 |
| MMP Industries Ltd | 188 | Sky Gold And Diamonds Ltd | 180 |
| Pavna Industries Ltd | 165 | Bajaj Healthcare Ltd | 170 |
| Sirca Paints India Ltd | 160 | Gretex Corporate Services Ltd | 170 |
| Jeena Sikho Lifecare Ltd | 150 | Bhatia Communications & Retail (India) Ltd | 150 |
| Global Education Ltd | 150 | Secmark Consultancy Ltd | 135 |
| Ahlada Engineers Ltd | 150 | Riddhi Corporate Services Ltd | 130 |
| Macpower CNC Machines Ltd | 140 | Shreeji Translogistics Ltd | 130 |

Source: BSE, NSE, B2K Analytics

Based on IPO gain:

| NSE Migrated - Top 10 Based on gain | | BSE Migrated - Top 10 Based on gain | |
|--|-------|--|-------|
| Company Name | Gain | Company Name | Gain |
| E2E Networks Ltd | 6,438 | Lucent Industries Ltd | 8,842 |
| Laxmi Goldorna House Ltd | 5,791 | Knowledge Marine & Engineering Works Ltd | 6,034 |
| D. P. Abhushan Ltd | 5,007 | Aryaman Capital Markets Ltd | 4,358 |
| Wealth First Portfolio Managers Ltd | 2,296 | NIIntec Systems Ltd | 4,319 |
| Network People Services Technologies Ltd | 2,280 | Ceinsys Tech Ltd | 3,728 |
| Spectrum Electrical Industries Ltd | 1,932 | Aditya Vision Ltd | 3,586 |
| Madhya Bharat Agro Products Ltd | 1,736 | Meghna Infracon Infrastructure Ltd | 3,420 |
| Krishana Phoschem Ltd | 1,638 | Advait Energy Transitions Ltd | 3,357 |
| Shree Vasu Logistics Ltd | 1,631 | Nibe Ltd | 3,353 |
| Krishival Foods Ltd | 1,224 | Suyog Telematics Ltd | 3,028 |

Source: BSE, NSE, Chittorgarh, B2K Analytics

Based on IPO issue size:

| NSE Migrated - Top 10 Based on Total Issue Size (Rs cr) | | BSE Migrated - Top 10 Based on Total Issue Size (Rs cr) | |
|---|------------------|---|------------------|
| Company Name | Total Issue Size | Company Name | Total Issue Size |
| MMP Industries Ltd | 84.6 | Waaree Renewable Technologies Ltd | 4,321.4 |
| Sirca Paints India Ltd | 77.9 | Manorama Industries Ltd | 64.0 |
| Mangalam Worldwide Ltd | 65.6 | Rhetan TMT Ltd | 56.0 |
| Zota Health Care Ltd | 58.5 | Radhika Jeweltech Ltd | 49.5 |
| Jeena Sikho Lifecare Ltd | 55.5 | Ritco Logistics Ltd | 48.2 |
| Sarveshwar Foods Ltd | 55.0 | Deccan Health Care Ltd | 42.1 |
| Euro India Fresh Foods Ltd | 51.3 | Artemis Electricals and Projects Ltd | 42.0 |
| Ahlada Engineers Ltd | 51.1 | KPI Green Energy Ltd | 39.9 |
| Jash Engineering Ltd | 48.0 | Markolines Pavement Technologies Ltd | 40.0 |
| Euro Panel Products Ltd | 45.5 | Shanti Educational Initiatives Ltd | 39.6 |

Source: BSE, NSE, Chittorgarh, B2K Analytics

Based on IPO market cap:

| NSE Migrated - Top 10 Based on Market Cap (Rs cr.) | | BSE Migrated - Top 10 Based on Market Cap (Rs cr.) | |
|--|------------|--|------------|
| Company Name | Market Cap | Company Name | Market Cap |
| Jeena Sikho Lifecare Ltd | 9,228 | Waaree Renewable Technologies Ltd | 12,307 |
| E2E Networks Ltd | 6,441 | Manorama Industries Ltd | 9,177 |
| Zota Health Care Ltd | 4,568 | KPI Green Energy Ltd | 8,861 |
| Network People Services Technologies Ltd | 3,722 | Aditya Vision Ltd | 6,839 |
| Madhya Bharat Agro Products Ltd | 3,774 | Sky Gold and Diamonds Ltd | 5,033 |
| Krishana Phoschem Ltd | 3,442 | Raghav Productivity Enhancers Ltd | 3,279 |
| Servotech Power Systems Ltd | 2,799 | AGI Infra Ltd | 3,276 |
| Jash Engineering Ltd | 3,049 | Share India Securities Ltd | 3,268 |
| Marine Electricals (India) Ltd | 3,042 | Ceinsys Tech Ltd | 2,681 |
| Sirca Paints India Ltd | 2,748 | K.P. Energy Ltd | 2,694 |

Source: BSE, NSE, B2K Analytics

Stricter Migration Norms (As of Aug 2025):

- To ensure quality, BSE tightened migration rules, requiring:
- **Operating Profit:** Minimum of ₹15 crore cumulatively over the last 3 financial years, with at least ₹10 crore in each individual year.
- **Shareholders:** Minimum of 1,000 public shareholders (up from 250).
- **Net Tangible Assets:** At least ₹3 crore in each of the last 3 financial years.
- **Liquidity:** Minimum 5% of weighted average shares traded in the previous 6 months.

Potential Companies which Can Migrate

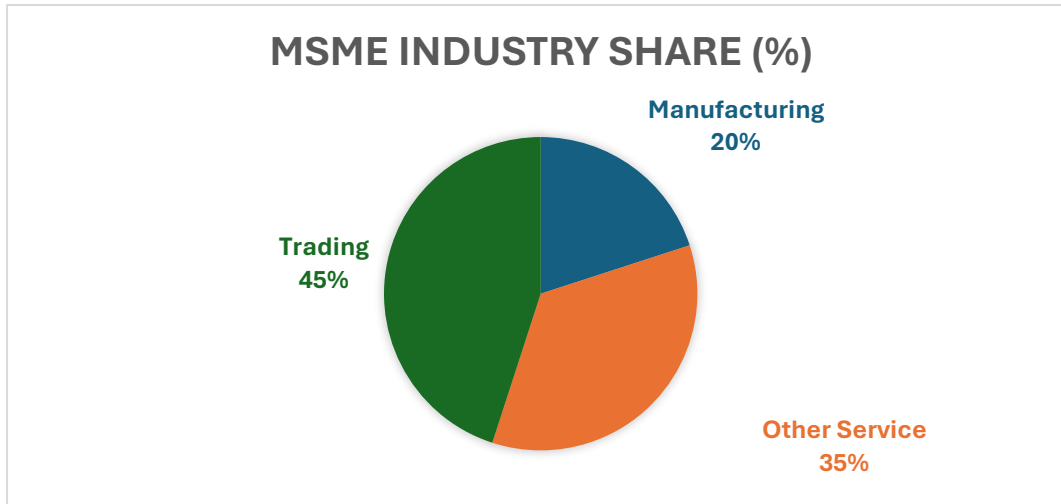
- **Krishna Defence & Allied Industries Ltd.** has initiated the process to migrate its shares from the NSE Emerge (SME) exchange to the main boards of the BSE and NSE. This was approved by the company's Board of Directors in April 2025.
- **Insolation Energy Ltd** has not announced a specific migration date yet, but it has initiated the process. Recently company has appointed Mr. Rajiv Jain as an Additional Director, designated as Independent Director, effective from October 10, 2025. August 14, 2025: The board meeting was held to consider the migration. September 5, 2025: The cut-off date for the postal ballot was set. September 11 - October 10, 2025: E-voting was conducted for shareholders to approve the proposals.
- **Kesar India Ltd:** has given the green light for the migration of its securities from the SME Platform of BSE Limited to the Main Boards of both BSE and the National Stock Exchange of India Limited (NSE). This decision was made in accordance with Regulation 277 read with Regulation 280(2) and other applicable regulations of the SEBI (ICDR) Regulations, 2018, as well as SEBI-LODR and other securities laws.
- **Khazanchi Jewellers:** The company is actively working toward mainboard migration and expects to complete it within this timeframe, according to investor resources. As of July 2025,

reports indicated the company was eligible to migrate to the mainboard "in the next year," suggesting a timeline sometime in 2025.

- **Cools Caps:** Cool Caps Industries Ltd has not yet migrated, but it is actively in the process. The company is currently conducting a rights issue to raise funds for its planned migration from the NSE Emerge platform to the main NSE board. This rights issue, which opened on September 30, 2025, will close on October 24, 2025, and aims to strengthen the company's financial position for the move.
- In July 2024, **CFF Fluid Control** announced its plan to migrate from the SME exchange to the main board within "2-3 years". The company has taken steps to grow its business and become eligible for migration, including a Follow-on Public Offering (FPO) in July 2025.
- Based on recent announcements, **Bondada Engineering Ltd** has not yet migrated to the main board from the BSE SME platform. However, the company has publicly expressed its intention to do so. A social media post from October 2025 indicates a projected mainboard migration in 2026.
- **Viviana Power Tech** Ltd Intention to migrate: In August 2025, the company stated its plan to shift its listing from the SME platform to the mainboard of the NSE. The move is intended to increase liquidity and attract institutional investors.
- **Beta Drugs** Ltd has not yet migrated to the main board of the NSE and BSE, but the migration process is underway and expected to be completed between June and August 2025, pending regulatory approvals. A board meeting was scheduled for October 19, 2024, to evaluate a proposal for raising funds through a preferential allotment to non-promoters.
- **Aimtron Electronics** Ltd. has not been migrated. It is a Small and Medium Enterprise (SME) that recently launched its Initial Public Offering (IPO) and is listed on the NSE Emerge platform. Reason did not complete 3 yrs.
- **Alpex Solar** Ltd. has not yet migrated to the mainboard of the National Stock Exchange (NSE).

Broad Sectoral Overview

Broad Industry Composition:



Source: MSME Annual Report 2024-25, B2K Analytics

One of the critical indicators to assess the successful growth of MSME Sector in an economy is the data of registration of new MSME on Udyam as it also depicts the conducive environment for starting such enterprises in an economy as well as the high morale of entrepreneurs. The analysis of Udyam Registration, including IMEs registered on UAP provides a break-up of Manufacturing, Services and Trading MSME. It may be noted that MSME in Trading and Service Sector comprises a larger proportion.

Top Sectors in SME IPOs

| Sectors | No. of Companies |
|-----------------------------------|------------------|
| Capital Goods | 162 |
| Services | 101 |
| Consumer Services | 54 |
| Fast Moving Consumer Goods | 60 |
| Consumer Durables | 55 |
| Healthcare | 52 |
| Information Technology | 46 |
| Textiles | 33 |
| Financial Services | 23 |
| Construction | 38 |
| Chemicals | 33 |
| Media Entertainment & Publication | 28 |

Source: BSE, NSE, B2K Analytics

| | |
|--|--|
| Capital Goods | Service |
| Aerospace & Defense | Engineering Services |
| Agricultural, Commercial & Construction Vehicles | <ul style="list-style-type: none"> •Dredging |
| <ul style="list-style-type: none"> •Tractors •Commercial Vehicles •Construction Vehicles •Dealers-Commercial •Vehicles, Tractors, Construction Vehicles | Transport Service |
| Electrical Equipment | <ul style="list-style-type: none"> •Airline •Logistics Solution Provider •Railways •Road Transport •Shipping •Transport related service |
| <ul style="list-style-type: none"> •Heavy Electrical Equipment •Other Electrical Equipment | Transport Infrastructure |
| Industrial Manufacturing | <ul style="list-style-type: none"> •Airport & Airport Service •Port & Port Service •Road Assets–Toll, Annuity, Hybrid Annuity |
| <ul style="list-style-type: none"> •Railway Wagons •Ship Building & Allied Services •Industrial Products | Commercial Services & Supplies |
| Industrial Products | <ul style="list-style-type: none"> •Trading & Distributors •Consulting Services •Data Processing Services •Diversified Commercial Services •Business Process Outsourcing (BPO)/ Knowledge Process Outsourcing (KPO) |
| <ul style="list-style-type: none"> •Cables – Electricals •Castings & Forgings •Packaging •Plastic Products – Industrial •Rubber •Other Industrial Products •Glass – Industrial •Aluminium, Copper & Zinc Products •Iron & Steel Products •Abrasives & Bearings •Compressors, Pumps & Diesel Engines •Electrodes & Refractories | Public Services |
| | <ul style="list-style-type: none"> •Urban Local Bodies •Development Authority |
| <p><i>Note: Sector classification is taken as per BSE and NSE industry classification.</i> <i>Source: BSE, NSE, B2K Analytics</i></p> | |

| Top Sub classification sectors and their performance | | | |
|---|-----|---------------------------------|-----|
| Capital Goods | No. | Service | No. |
| Other Electrical Equipment | 17 | Diversified Commercial Services | 23 |
| Iron & Steel Products | 15 | Logistics Solution Provider | 20 |
| Packaging | 14 | BPO/ KPO | 4 |
| Industrial Products | 13 | Shipping | 3 |
| Plastic Products - Industrial | 9 | Road Transport | 2 |
| Aluminium Copper & Zinc Products | 6 | Airline | 1 |
| Cables - Electricals | 5 | | |
| Heavy Electrical Equipment | 5 | | |
| Aerospace & Defense | 3 | | |
| Rubber | 3 | | |
| <p><i>Note: Sector classification is taken as per BSE and NSE industry classification.</i> <i>Source: BSE, NSE, B2K Analytics</i></p> | | | |

The Capital Goods and Services sector has emerged as a leading space with a significant number of companies entering through SME IPOs.

The Capital goods sector consistently leads in terms of participation and fund mobilisation. However, it's important to note that "capital goods" is a broad category under both exchanges' industry classification systems. Within this broad category, a closer look reveals several key sub-segments driving activity. Notably, Other Electrical Equipment, Iron and Steel Products, Packaging, Industrial Products, and Plastic Products (Industrial) stand out as the top categories attracting SME listings.

Within the umbrella, sub-sectors such as EPC (Engineering, Procurement, and Construction) and renewable energy infrastructure have emerged as dominant players. These segments are typically capital and time intensive, requiring significant upfront investment and longer project cycles. While renewable energy continues to gain traction, other sectors are also well-represented on the SME platforms, including electronics, pharmaceuticals, chemicals, and food processing. These areas contribute to a diverse pipeline of issuers and indicate the expanding industrial footprint of SME IPOs.

Similarly, in the Services sector, key sub-classifications attracting IPO entries are Diversified Commercial Services, Logistics Solution Providers, BPO/KPO, Shipping, Road Transport, and Airlines. Additionally, services and their associated sub-sectors are also making inroads, further broadening the sectoral mix and highlighting the evolving nature of India's SME capital markets.

Overall, the MSME sector in India can cater to a variety of opportunities across Indian Economy.

1. Renewables: With the emphasis on clean energy, MSMEs can contribute to solar power, wind energy, energy storage, and energy management solutions.
2. Sustainability: MSMEs can contribute to sustainability through eco-friendly products, renewable energy solutions, waste management, and sustainable packaging.
3. Pharmaceuticals: MSMEs can engage in pharmaceutical manufacturing, research and development, contract manufacturing, and supply chain solutions within the thriving pharmaceutical sector.
4. Chemical: Opportunities exist for MSMEs to engage in specialty chemicals, agrochemicals, pharmaceutical intermediates, and green chemistry solutions.
5. Electronics: The demand for consumer electronics, electronic components, IoT devices, and smart solutions creates a favourable landscape for MSMEs specializing in electronics.
6. Information technology (IT) and IT-enabled services (ITeS): MSMEs specializing in software development, cybersecurity, IT consulting, cloud services, and digital marketing can thrive in the IT and ITeS industries.
7. Hyper automation: MSMEs can leverage emerging technologies like artificial intelligence (AI), machine learning (ML), robotic process automation (RPA), and advanced analytics to provide automation solutions across industries, streamlining processes and enhancing efficiency.
8. Textile: MSMEs can explore opportunities in textile manufacturing, apparel design, fashion technology, and sustainable textiles.
9. Food processing: The food processing sector provides avenues for MSMEs in food packaging, processing equipment, agri-business, and value-added food products.
10. Gems and jewellery: The gems and jewellery industry offer avenues for MSMEs specializing in design, manufacturing, export, and retail of precious and semi-precious stones and jewellery.

11. Automotive: MSMEs can participate in automotive component manufacturing, electric vehicle technology, aftermarket services, and connected vehicle solutions.
12. Healthcare: With the growing focus on healthcare, MSMEs can explore opportunities in medical devices, digital health solutions, healthcare IT, telemedicine, and pharmaceutical manufacturing.
13. Agriculture: MSMEs can play a significant role in agricultural technology, precision farming, farm mechanization, Agri-inputs, and supply chain management.
14. Tourism: The tourism industry offers scope for MSMEs to provide unique experiences, hospitality services, travel technology solutions, and sustainable tourism initiatives.
15. Drone: MSMEs can offer drone-based services for mapping, aerial surveys, surveillance, agriculture, and logistics.

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Other Niche Financial Segments Within the SME Space

SEBI AIF (alternative investment fund) 1 – SME Fund

From March 2020 to December 2023, cumulative commitments rose from Rs 522 crore to Rs 1,158 crore, reflecting growing investor confidence in small and medium enterprises. The funds raised also saw a jump from Rs 100 crore in early 2020 to over Rs 671 crore by the end of 2023. A consistent increase in investments followed suit, with figures rising from Rs 46 crore to nearly Rs 597 crore over the same period. Notably, major upticks occurred post-2021, aligning with broader policy support, economic recovery, and increased interest in SME-focused AIFs.

In 2024, the transition to Category I AIF - SME Fund further bolstered the fund's position, with commitments crossing Rs 1,189 crore and investments reaching Rs 737 crore by December. This upgrade suggests a more structured and regulated framework under SEBI, enabling enhanced investor trust and institutional participation. The sharp rise in investments across 2023 and 2024 also reflects the deepening pipeline of viable SMEs ready for funding. The growing capital deployment signals the sector's maturation and a larger role for SMEs in India's growth narrative going forward.

| SEBI Category I AIF - SME Fund quarterly figures for past few years | | | | |
|---|---------------------------|--------------------|--------------|------------------|
| Rs Crore | Cumulative net figures | Commitments raised | Funds raised | Investments made |
| end of 31 March, 2020 | SME Fund | 522 | 100 | 46 |
| end of 30 June, 2020 | SME Fund | 522 | 101 | 46 |
| end of September 30, 2020 | SME Fund | 642.13 | 120.77 | 64.39 |
| end of December 31, 2020 | SME Fund | 542.13 | 75.19 | 64.72 |
| end of March 31, 2021 | SME Fund | 595.13 | 71.83 | 64.95 |
| end of June 30, 2021 | SME Fund | 572.13 | 71.83 | 61.6 |
| end of September 30, 2021 | SME Fund | 655.65 | 54.59 | 51.83 |
| end of December 31, 2021 | SME Fund | 1,080.58 | 93.17 | 81.4 |
| end of March 31, 2022 | SME Fund | 1,180.58 | 198.8 | 164.7 |
| end of June 30, 2022 | SME Fund | 1,181.52 | 224.36 | 186.42 |
| end of September 30, 2022 | SME Fund | 1,256.20 | 248.08 | 201.88 |
| end of December 31, 2022 | SME Fund | 1,253.19 | 295.07 | 246.57 |
| end of March 31, 2023 | SME Fund | 149.33 | 61.64 | 52.19 |
| end of June 30, 2023 | SME Fund | 1,136.22 | 341.95 | 289.2 |
| end of September 30, 2023 | SME Fund | 1,140.72 | 522.27 | 461.73 |
| end of December 31, 2023 | SME Fund | 1,158.22 | 671.78 | 597.45 |
| ending March 31st, 2024 | Category I AIF - SME Fund | 1,169 | 714 | 624 |
| ending June 30, 2024 | Category I AIF - SME Fund | 1,169 | 735 | 642 |
| ending Sep 30, 2024 | Category I AIF - SME Fund | 1,188 | 824 | 719 |
| ending Dec 31, 2024 | Category I AIF - SME Fund | 1,189 | 840 | 737 |

Source: SEBI, B2K Analytics

Financing Needs for SME: Need to change the perspective

Bank financing:

While bank financing remains a key source of funding for SMEs throughout their life cycle, it is not always sufficient or suitable reason being bank loans are often short-term and can be costly, with high fees and substantial collateral requirements. These conditions arise largely from informational asymmetries that make it difficult to assess creditworthiness. In addition, debt financing must be repaid, placing pressure on cash flows. Furthermore, maintaining a sustainable business model limits an SME's leverage capacity, thereby constraining the extent to which bank loans can meet their funding needs.

Equity financing:

Equity financing can help SMEs overcome many of the limitations associated with bank lending, as it provides long-term capital that does not require repayment. It can be provided through:

From Venture Capital (VC) and Private Equity (PE) Firms:

This form of equity financing is generally more suitable for smaller companies at earlier stages of development than exchange-based financing. A VC or PE partner not only provides capital but also offers strategic guidance, technological expertise, and support to help the entrepreneur grow and market the business. Such partnerships can strengthen an SME's operations improving governance, financial reporting, and management practices thereby enhancing its readiness for a future exchange listing.

From an SME Exchange:

Exchange-based financing is more appropriate for SMEs that are less focused on obtaining management support or restructuring and instead require capital to scale their operations. It offers two key advantages:

- **Access to a Broader Investor Base:** By appealing to a wider and more diverse range of investors, an Initial Public Offering (IPO) allows SMEs to raise long-term capital without relinquishing majority control. SME exchanges connect issuers seeking financing with investors willing to take on equity market risk, within a regulatory framework designed to address the needs of both. The transparency required by an exchange listing often improves a company's credit rating and supports sustainable growth by reducing the risk of over-leverage.
- **An Exit Opportunity for Early-Stage Investors:** SME exchanges also provide a structured exit route for early investors, such as VC and PE firms. This exit option encourages greater early-stage investment, as investors gain confidence from having a clear path to realize and recycle their capital.

The cost comparison of SME IPO vs the Bank Credit

Some basic things required to be an SME IPO is to have Minimum capital: 3 crore rupees with Last 3 years profit: At least 2 years should be profit and Minimum 3 years old company. An SME IPO is a regulated, resource-heavy process. The cost is not limited to fees paid to external consultants. It includes internal time, follow-up work, and compliance adaptation. Many first-time issuers underestimate this and run into budget shortages that affect investor confidence.

The cost of a Small and Medium-sized Enterprise (SME) IPO in India typically ranges from Rs 40 lakhs to over Rs 90 lakhs, with potential to reach a few crores depending on the size of the issue, services used by the issuing company and complexity. Key costs include merchant banker fees (around Rs 25–30 lakhs), mandatory professional fees (legal, audit, registrar, etc.), exchange-related fees, and marketing expenses. Companies with cleaner records and professional teams may face lower costs.

| Particular | Amount |
|---|-------------------------|
| Merchant Banking Fee | ₹ 25 to ₹30 Lakhs |
| Underwriting and fund raise cost | 8 -10% of Issue Size |
| Legal and Regulatory Costs (RTA cost and Listing Fee of Exchange) | ₹5 Lakhs to ₹10 Lakhs |
| Peer Review Audit Costs | ₹ 2 Lakhs to ₹ 5 Lakhs |
| Printing and Distribution Costs | ₹ 3 lakhs to ₹ 6 lakhs |
| Marketing and Roadshow Expenses | ₹ 5 lakhs to ₹ 10 lakhs |
| Miscellaneous Expenses | ₹ 2 Lakhs to ₹ 5 Lakhs |

<https://www.ipoplatform.com/blogs/what-is-the-ipo-cost-and-ipo-charges-for-listing-on-nse-and-bse-exchange/149>

If an MSME with good credit rating, collateral and operating in a favourable bank scheme, you might expect interest around ~8-10% p.a. If you have weaker credit, unsecured operations, or are borrowing from non-bank lenders (NBFCs), the cost of credit will likely be higher — could be 12%–20%+ p.a. The “cost of capital” for debt is essentially the interest rate plus any fees/charges tied to the loan. Banks often add risk-spreads based on ratings, collateral, exposures and the base rate (e.g., BRRLLR or MCLR) to determine actual rate.

| Cost of debt | Cost of equity |
|---|--|
| <ul style="list-style-type: none"> The “cost of capital” for debt is essentially the interest rate plus any fees/charges tied to the loan. The cost of debt for MSMEs will depend heavily on creditworthiness, collateral, country risk, and whether the loan is working-capital or term debt. If an MSME with good credit rating, collateral and operating in a favourable bank scheme, you might expect interest around ~8 to 10% p.a. On the other hand, weaker credit, unsecured operations, or are borrowing from non-bank lenders (NBFCs), the cost of credit will likely be higher could be 12%–25%+ p.a. In case of debt financing via traditional lenders such as banks and NBFCs, it can take anywhere between 30-90 days to raise debt. Additionally, it necessitates the compilation of extensive data, including profitability records for three years, and the provision of collateral. The exhaustive process of securing debt financing can divert resources and attention away from core business operations. Despite these efforts, the amount raised through debt financing may often fall short of the desired level. | <ul style="list-style-type: none"> The cost of equity is always higher than the cost of debt because equity bears more risk (no guaranteed payment, last in line in bankruptcy) and for SMEs the risk/illiquidity premium is larger than for large public firms. Some basic things required to be an SME IPO is to have Minimum capital of 3 Cr. INR with, at least 2 years should be profit and Minimum 3 years old company. The cost of a SME IPO in India ranges from Rs 40 lakhs to over Rs 90 lakhs, with potential to reach a few crores depending on the size of the issue, services used by the issuing company and complexity. Key costs include merchant banker fees (around Rs 25–30 lakhs), mandatory professional fees (legal, audit, registrar, etc.), exchange-related fees, and marketing expenses. Companies with cleaner records and professional teams may face lower costs. Equity financing can take anywhere from six months to a year and multiple investor presentations to raise equity from investors. |
